FINANCIAL TIMES

World Business Newspaper http://www.FT.com FRIDAY SEPTEMBER 18 1998

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WORLD NEWS

Madrid sceptical at Eta 'indefinite ceasefire' pledge

Spanish government and opposition leaders reacted warily to the announcement of an indefinite ceasefire by Eta, the Basque separatist group, questioning whether the organisation genuinely intended to end its 30-year armed campaign. The announcement came almost three months after its last car bomb, which killed a local politician. **Page 14; Basques learn lessons, Page 3; Editorial Comment, Page 13**

Starr evidence agreement
In a rare sign of agreement between US Republicans and Democrats, members of the House judiciary committee indicated they would not publish more explicit accounts of the 18-month affair between President *Bill Clinton and Monica* Lewinsky. The decision emerged as the committee was preparing to release video tapes of Mr Clinton's evidence before a grand jury last month. **Page 14; Analysis, Page 4**

FBI aids Polish police
The US Federal Bureau of Investigation has opened its stolen vehicle computer database to the Polish police to stem the tide of stolen cars through central and eastern Europe. **Page 2**

Mir station to be retired
The Russian Space Agency said it would retire the 12-year-old Mir space station next summer even if delays put off the launch of the first astronauts to the new International Space Station.

Seeking harmony on the net
Internet and telecommunications standards groups are pledging to collaborate in an effort to ensure that technical standards do not clash as the worlds of data and telephony converge. **Page 7**

Flight ban fuels tension
Malaysia has banned Singapore military and search-and-rescue aircraft from its air space, escalating tensions that have intensified in tandem with the region's financial crisis. **Page 8**

Clue to mine tragedy
Austrian economics minister Johann Farnleitner said *unauthorised mining* might have caused a cave-in at a mine in Lessing two months ago in which 10 men died.

Music boss to leave chair
Rob Dickins, one of the most influential figures in the music industry, is to leave his post as chairman of Warner Music (UK) when his contract expires at the end of next month. **Page 9**

New Alfa Romeo unveiled
Italian auto giant Fiat unveiled a new, top-of-the-line Alfa Romeo saloon which the company expects to be on sale in 60 countries by the end of October.

Palestinian minister to quit
Palestinian environment minister Yousef Abu Safiya said he was quitting his post because he had no real ministry to run.

Feuding Islamists held in Pakistan
Pakistani police arrested at least 200 people in a crackdown on rival Islamic groups engaged in a feud that has left scores dead.

Hong Kong unemployment up
Unemployment in Hong Kong hit a 15-year high of 5 per cent in the June-August quarter. **Page 8**

Slide blocks canal
A landslide closed the Corinth Canal west of Athens.

BUSINESS NEWS

Alcatel warns that operating profit less than expected

Alcatel, the French telecommunications group, touched off a firestorm among European industrial and telecommunications shares by warning that its 1998 operating profit would be below expectations. **Page 15; Observer, Page 13; Lex, Page 14**

Rupert Murdoch is poised to team with Telecom Italia, the privatised Italian telecommunications group, to bid L4,000bn ($2.2bn) for a six-year pay television contract for broadcasting Italian football. **Page 15**

Bayer, the German chemical group, plans to sell up to 75 per cent of its Agfa film and graphic systems subsidiary to outside investors in what is likely to be one of Europe's biggest stock market listings next year. **Page 15**

Philippine Airlines, Asia's oldest airline, plans to close on September 28, becoming the first carrier in Asia to be grounded since the region's economic crisis began more than a year ago. **Page 15**

Fifty large US businesses have lost $500m in Russia as a result of the financial crisis, according to a survey by the American Chamber of Commerce in Moscow. **Page 2**

Iberia, Spain's state-owned national carrier, and its two main private-sector competitors have been accused of price-fixing in a government report to Madrid's competition tribunal. **Page 3**

Allianz, the German group which this year became Europe's largest insurance company, stuck to its forecast of a growth in net profit of at least 10 per cent for 1998, provided claims remained low and financial markets escaped other substantial falls. **Page 18**

Pirelli, the Italian tyres and cables group, reported a 7 per cent increase in first-half net profits, to L254bn and said it expected full year results to be "in line" with last year's L512bn net profit. **Page 18**

The future of the world's largest industrial merger will be decided today when shareholders of Daimler-Benz and Chrysler vote on whether to approve their companies' link-up at special *meetings* in Germany and the US. **Page 20**

Lego's owner warned the Danish government that the future of the family-owned international toys group is in doubt because of the country's inheritance tax regime. **Page 15; Observer, Page 13**

France Telecom reported a 15 per cent decline from FFr8.9bn ($1.6bn) to FFr7.6bn in first half profits and unveiled plans to build a so-called "European backbone" telecommunications network in a joint initiative with Deutsche Telekom. **Page 20**

Crédit Lyonnais, the French bank due to be privatised next year after a state-backed rescue, is to conduct negotiations with Russian debtors on behalf of other French banks. **Page 20**

Euro Prices

A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.
Page 23

DISAPPOINTMENT OVER OUTLOOK FOR US INTEREST RATES SENDS BOND PRICES UP

World equity markets slide again as investors rush to sell

By Philip Coggan and Khozem Merchant

World equity markets fell sharply yesterday, and bond prices rose, in response to disappointment at the outlook for US interest rates and worries about corporate earnings in the face of the emerging markets crisis.

Wednesday's Congressional testimony from Alan Greenspan, chairman of the US Federal Reserve, not only failed to hint at an imminent US interest rate cut but dismissed talk of co-ordinated reductions by the Group of Seven leading industrial nations. Investors remain worried that, without interest rate cuts, the crisis that has hit Asia, Russia and Latin America will provoke a recession in the developed economies.

Adding to investor concern yesterday was evidence that corporate profits were being badly hit by the world's economic problems. Those worries were highlighted by a warning from Alcatel, the French telecommunications group, which dragged down other telecoms equipment and electronic stocks, while in the US analysts continued to downgrade earnings estimates for stocks such as Gillette, which are exposed to the international economic climate.

"As well as the macro-economic issues, you are seeing the overwinding of excessive valuations at the individual stock level," said Albert Edwards, global strategist at Dresdner Kleinwort Benson. "Some stocks have been trading at 30, 40, 50 times earnings and those multiples have been falling pretty rapidly."

Asia started the equity sell-off yesterday, with Hong Kong falling 3.6 per cent and the Nikkei 225 average in Tokyo declining 2.4 per cent to a 12-year low.

Europe kept up the bearish momentum, with the CAC 40 in Paris falling 5.5 per cent and the DAX in Frankfurt 5 per cent. In London, the FTSE 100 index fell 158.8 to 5,132.9, the fifth worst points fall since the index was set up at the start of 1984.

Wall Street headed lower from the start yesterday, with the Dow Jones Industrial Average quickly dropping 200 points. By 1pm New York time, the Dow was 205.45 off at 7,884.33. Bond and equity prices normally rise together but recently they have parted company on fears of deflation. In Japan, the long equity bear market has been accompanied by a big rise in bond prices. The yield on the 10-year Japanese government bond dropped to just 0.675 per cent yesterday.

The flight from equities into bonds forced yields down sharply across Europe. In the UK, the yield on the benchmark 10-year 2008 gilt fell to 5.0 per cent and the yield on the 7¼ per cent December 2007 bond fell to a low of 4.97 per cent. Those were the lowest levels since 1957.

Benchmark German bund yields fell below the 4.0 per cent level to a post-war record low of 3.94 per cent, helped by a weaker-than expected IFO survey of business confidence. Such historic lows on bond yields reflect the substantial fall in inflation expectations in the 1990s, and the flight to safety which has heightened the attractions of developed country government bonds.

Bankers doubt big three, Page 6
Brazil's dilemma, Page 12
Come back Truman, Page 12
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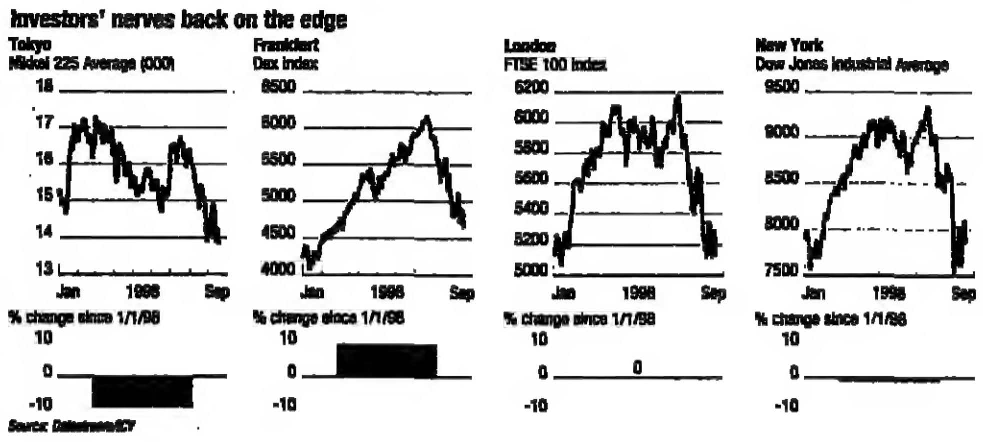
Investors' nerves back on the edge



Source: Datastream/ICV

Russian debt exchange attacked

Western banks say terms could damage the country's relationship with creditors

By Clay Harris and Edward Luce in London and Arkady Ostrovsky in Moscow

Western banks yesterday told the Russian government that its proposed terms for exchanging debt were "unacceptable" and would have a "seriously adverse effect" on the country's relationship with its creditors.

Russia, meanwhile, delayed by a week the announcement of terms for the exchange of GKOs and OFZs – short-term rouble-denominated government bonds – on which it defaulted last month and suggested it might be prepared to negotiate with the banks.

Banks indicated that Moscow had today been preparing to offer terms worth 4 cents on the dollar.

The strong warning from 17 European, US and Japanese banks followed two days of talks in London. The banks urged Yevgeny Primakov, the new prime minister, to begin talks to allow Russia's problems "to be addressed on a genuine voluntary basis with the agreement and co-operation of your creditors."

The banks asked Mr Primakov to "reaffirm the principle of equal treatment of all GKO/OFZ holders." Evidence for their concern on that point came as it emerged that the central bank had this week offered Russian commercial banks a preferential rate to redeem their frozen GKO holdings.

The banks asked Mr Primakov for a meeting in Moscow next week.

The banks' working party will be chaired by Deutsche Bank, with Credit Suisse First Boston and either Chase Manhattan or Citibank as joint deputies.

Alexander Shokhin, a senior minister, said in Moscow: "We believe it possible to begin negotiations with banks [with regard to frozen payments] . . . and we are urging those banks to refrain from seizing the assets of Russian banks abroad or freezing those assets."

The central bank's action this week was "concrete evidence of preferential treatment for Russian banks," according to one trader.

It issued three short-term bonds totalling Rbs15bn to Russian banks in exchange for their GKO holdings, but these holdings were valued at their August 14 price, several times the current grey market level.

Non-Russian banks were not invited to participate and only discovered the operation when traders spotted a gap in the bond serial numbers issued by the central bank. The zero coupon bonds had a yield of 60 per cent.

Brave old world, Page 13
Banks' letter: www.FT.com

Coca-Cola bid for Orangina blocked by minister

By Samer Iskandar in Paris

Dominique Strauss-Kahn, French finance minister, yesterday blocked the proposed FFr5bn ($880m) acquisition of Orangina, the beverage group, by Coca-Cola, the US soft drinks company.

Mr Strauss-Kahn said his decision was based on a recommendation by the Conseil de la Concurrence, the French competition regulator. The Conseil said it had "identified a serious threat to competition from Coca-Cola on the market for fizzy drinks outside the home . . . These risks would penalise consumers."

The decision was the second time in as many weeks that the French government has stopped a US company from bidding for a domestic target. Last week Mr Strauss-Kahn broke off talks with a US-led consortium led by the financial arm of General Motors, which was bidding for Crédit Foncier, a French mortgage lender.

Since it was announced last year, the sale of Orangina has faced opposition, notably from PepsiCo, Coca-Cola's arch-rival. Orangina is the distributor of PepsiCo products consumed outside the home in France. The acquisition would have given Coca-Cola control of the distribution of its rival's products.

Pepsico recently offered to improve the terms of its agreement by granting Orangina 10-year, renewable exclusive rights to produce and distribute most Pepsico products. The aim was to raise the value of Orangina, allowing its owner, Pernod Ricard, to consider a flotation.

This week, Coca-Cola signed an agreement with representatives of Orangina employees, guaranteeing current staffing levels until the end of 2000 and maintaining a 35-hour working week. It was seen as a last-minute lobbying effort to win trade unions' support and regulatory approval.

Coca-Cola accounted for 37.2 per cent of the French soft drinks market in 1997, according to Euromonitor, the UK market research consultants. While Orangina accounted for 40 per cent of sales in volume terms of the French market for non-cola carbonated drinks.

US keeps a rein on inflation but trade deficit worsens

By Nancy Dunne in Washington

The US is still keeping a tight rein on inflation, according to the Labour Department, which reported yesterday a seasonally adjusted 0.2 per cent rise in the consumer price index for August, compared with July.

However, the trade deficit for goods and services worsened in July. Exports fell by $1bn between June and July to $75.4bn, held back by the effects of the Asian economic crisis. Imports also fell, by $700m to $89.3bn, due to lower oil prices.

The merchandise deficit rose by $400m to $20.9bn in July, while the services surplus – still the only good spot in the trade figures – increased by $100m to $7bn.

The reports spurred calls by business groups for interest rate cuts, and the consumer price figures - slightly higher than some analysts had expected - added to financial market uncertainty about the direction of US monetary policy.

"While inflation continues to lie dormant, the global slowdown is putting the squeeze on manufacturers as exports fell for the fourth straight month," said Jerry Jasinowski, president of the national Association of Manufacturers. "Adequate liquidity is imperative for the developing economies to regain their footing and proceed on a growth path."

Inflation is running at an annual rate of 1.6 per cent this year, compared to 1.7 per cent for 1997. The decline largely reflects the slide in oil prices. That could change, however, as crude prices have been stabilising in recent weeks.

Tim O'Neill, chief economist for the Bank of Montreal, warned that US core inflation – excluding volatile energy and food prices – had stopped falling and might be turning up.

"Tight labour markets and a moderate rise in wage inflation appear to be offsetting the downward impact on inflation of a strong US dollar and stiff import competition," he said.

However, the main impetus for the price gain in August was a 1.1 per cent gain in clothing prices in the month, compared with July. Other economists said that gain might be a one-off advance as new autumn clothing lines appeared in stores.

The trade deficit with China grew by 15.1 percent in July to $5.4bn, surpassing Japan's $5.17bn. There was even an unusual deficit – $81m – with Hong Kong.

Charles McMillion of Washington-based MBG Information Services, said the once-healthy surplus in advanced technology products had begun to erode and looks likely to fall still further.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	7894.37	(-195.41)
NASDAQ Composite	1649.63	(-40.28)
Europe and Far East		
CAC40	3525.26	(-204.06)
DAX	4889.51	(-188.46)
FTSE 100	5132.9	(-158.8)
Nikkei	13,859.14	(-338.56)
US Lunchtime RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	4.59%	
Long Bond	104⅜	
Yield	5.19%	
OTHER RATES		
UK: 3-mo Interbank	7⅝%	(same)
UK: 10 yr Gilt	116.75	(115.781)
France: 10 yr OAT	108.88	(108.32)
Germany: 10 yr Bund	109.65	(109.18)
Japan: 10 yr JGB	115.52	(114.88)
NORTH SEA OIL (Argus)		
Brent Dated	$13.44½	(12.78)

GOLD		
New York Comex	$291.0	(287.9)
London:	$290.75	(286.85)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6827	
DM	1.687	
FFr	5.661	
SFr	1.3857	
Y	132.325	
London:		
£	1.6877	(1.6758)
DM	1.681	(1.6918)
FFr	5.6367	(5.6757)
SFr	1.381	(1.3939)
Y	132.255	(134.9)
Tokyo Close		Y 134.00
Sterling		
DM	2.837	(2.835)

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EUROPE

GERMAN POLL OPPOSITION SOCIAL DEMOCRATIC PARTY GIVEN UNEXPECTED CHANCE TO DIVERT ATTENTION FROM BAVARIA RESULT

Gaffes hit Kohl re-election campaign

By Ralph Atkins in Bonn

German chancellor Helmut Kohl's re-election campaign hit stormy waters yesterday when he was forced to repudiate a cabinet minister's comments on a possible tax increase and upset allies with remarks of his own on the country's bugging law.

The slip-ups give the opposition Social Democratic party an unexpected chance to divert attention from its poor showing in Sunday's Bavarian elections.

Claudia Nolte, the federal family minister, commented in a campaign debate earlier this week on a possible increase in value added taxes after the September 27 elections. That allowed the SPD to deploy a classic election tactic – accusing the government of hiding planned tax increases.

Speaking in Dresden, Mr Kohl insisted that a VAT increase was not on the agenda. "Whatever foolishness you've heard, forget it," he said.

Portraying itself as a tax cutting party, the governing coalition in Bonn has pledged net tax cuts eventually worth DM30bn ($16.5bn) if re-elected. But Ms Nolte had suggested that VAT would actually be increased to help fund tax cuts for lower income households.

The usually low-profile minister later said her comments were a "mistake made in the heat of the battle". But the government's difficulties were compounded by its initial confused response.

At first Mr Kohl refused to comment on tax plans, and suggested his cabinet ministers should do the same. Next, the government conceded that the basis for its election manifesto tax plans – legislation which was blocked by the Social Democrats in parliament last year – did include provision for financing direct tax cuts through higher indirect taxes, which include VAT.

Subsequently, however, the government hardened its position, arguing that developments since last year and a better inflow of tax receipts had made any increase in VAT unnecessary. "We are not planning an increase in VAT," insisted Theo Waigel, federal finance minister.

Separately, Mr Kohl created fresh tension within his coalition by calling for the removal of exemptions from legislation on bugging by security forces. The exemptions for doctors, lawyers and journalists were inserted after a parliamentary defeat for the government in March, when members of the Free Democrat party, junior members of Mr Kohl's government, staged a revolt.

Both slips threaten to undermine Mr Kohl's efforts to create fresh momentum in the days running up to the election.

Still behind in the polls, he received a boost last weekend from elections in Bavaria, where his sister party, the Christian Social Union, widened its margin over the SPD.

Russia admits default wrong

By Arkady Ostrovsky

The Russian government yesterday offered to re-negotiate its effective default on $40bn of domestic debt, or GKOs, acknowledging that the decision which helped spark a banking collapse in the country was wrong.

The offer came as the central bank said it would print money to pay off state debts and to bail out domestic banks, further raising fears of hyper-inflation.

Andrei Kozlov, deputy chairman of the central bank, said banks from five Russian regions, including Moscow and St Petersburg, had been ordered to report the level of their debt to depositors. The central bank would then decide how much money needed to be printed, before redeeming that amount of the banks' frozen GKO holdings so that depositors could be paid.

Alexander Shokhin, a deputy prime minister who was unexpectedly brought to the briefing by three EU foreign ministers visiting Moscow, said Russia was ready to negotiate over the restructuring of its domestic debt and the obligations by Russian banks to foreign creditors.

The offer is a welcome sign of moderation from a government whose political colouring remains uncertain a week after it was formed. But despite the news that Russian banks would be compensated for their GKO losses, Mr Shokhin's statement will not have eliminated suspicion among foreign investors of government discrimination.

"We believe it possible to begin negotiations with banks with regard to payments frozen by the central bank and the government, and we are urging those banks to refrain from seizing the assets of Russian banks abroad or freezing those assets," Mr Shokhin said.

He also admitted that the August decision to default had resulted in a confiscation of investment and that the form in which Russia tried to resolve its budget and financial problems did not conform to the existing norms of business practices.

But Mr Shokhin said this did not mean Russia would be able to redeem all its short-term debt. "At present, due to the grave financial situation, it would be difficult to meet all the obligations. But we are prepared to negotiate the rescheduling of the obligations of the Russian banks, the extension of appropriate roll-over facilities and moratoriums on the part of the creditors."

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Survey charts losses by US business

By Arkady Ostrovsky in Moscow

Fifty large US businesses have lost $500m in Russia as a result of the financial crisis, as well as their confidence in the reform process, according to a survey released yesterday by the American Chamber of Commerce in Moscow.

According to the chamber's survey, 72 per cent of US businesses which responded cannot access funds frozen in Russian banks and in the Russian treasury bill, or GKO market, while 58 per cent of the companies have not been paid for their goods.

"We all feel we have been hit by a neutron bomb and we have all been irradiated, which means we are alive today but in 30, 60, 90 days some of us are going to die," said Scott Blacklin, president of the chamber.

Mr Blacklin said most of the companies had suffered from the devaluation of the rouble, the government's default on the short-term debt market and the collapse of the banking system.

He added consumer companies had been dealt a severe blow by the collapse of the distribution system and a sharp decline in the spending power of Russian consumers.

The survey finds that 63 per cent of respondents with worldwide revenue of $1bn saw a significant decline in demand for their products and services, while 40 per cent have been hit by the collapse of the distribution network.

However, all but 1 per cent of respondents say they are prepared to stay in Russia, although the majority of businesses admit they have had to slash their workforces by almost 30 per cent.

Mr Blacklin said the chamber was concerned by the signs of discrimination between Russian and foreign holders of GKOs. If the Russian government intended to keep investors in Russia, it would have to "open up the system" to a degree of scrutiny it had not been used to.

NIKOLA POPLASEN WEST DEVASTATED BY LIKELY ELECTION RESULT

Bosnian Serb 'victor' tones down rhetoric

By Guy Dinmore in Belgrade

Nikola Poplasen, the ultranationalist Bosnian Serb leader on the verge of an election victory that has confounded the international community, is already toning down his rhetoric and speaking like a man ready to do business with his western adversaries.

Final results of last weekend's elections will not be known until next week, but officials privately concede Mr Poplasen has an apparently unassailable lead over Biljana Plavsic, the western-backed president of the Serb-controlled half of Bosnia.

The mood at Mrs Plavsic's campaign headquarters in her stronghold of Banja Luka was sombre. One adviser said she would respect the results and hand over power peacefully, if Mr Poplasen won.

Western diplomats are devastated that all the effort and aid money that has gone into supporting Mrs Plavsic – with the goal of rebuilding a stable and ethnically integrated Bosnia – has come to nothing.

But Mr Poplasen, leader of the Bosnian Serb Radical party, says he is not about to tear up the Dayton peace treaty that ended the 1992-95 civil war by creating two distinct "entities" – the Moslem-Croat federation and the Serb half, Republika Srpska.

"We have no reasons not to co-operate with the international community, on the contrary," Mr Poplasen told the FT yesterday. "Above all, we have to keep the peace, political stability and the equality of peoples and entities, according to Dayton."

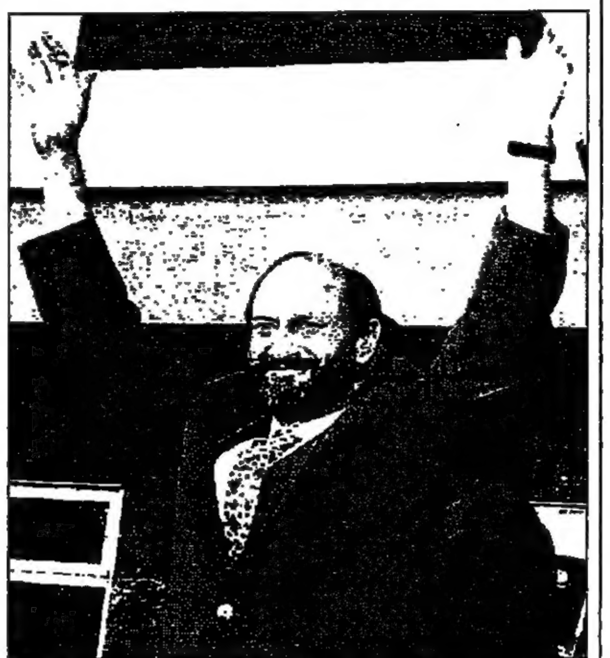
But, he added, his party's ultimate goal of creating a Greater Serbia – that would unite Republika Srpska with Serbia and even parts of the Balkans beyond – had not changed, even though it might take half a century.

"Of course, wishes and reality differ to some extent and any politician should be led by reality. If he respects only his wishes, he'll disappear from the political stage."

Mr Poplasen said he still regarded Radovan Karadzic, the former Bosnian Serb leader wanted for war crimes, as a hero.

Western officials took no heart from his remarks. The international community's vision of the post-Dayton Bosnia was of a single, ethnically integrated state that would not need a massive Nato presence to keep the peace. Mr Poplasen's future for Republika Srpska, diplomats say, is an ethnically pure territory that is a state in everything but name.

Mr Poplasen said he would not obstruct Moslems and Croats from returning to their former homes, but neither would he encourage them. Dayton, he said, also provided for the exchange and sale of properties to allow refugees of all ethnic groups to stay where they ended up.



Nikola Poplasen: 'Above all, we have to keep the peace, political stability and the equality of peoples' Reuters

Sources in the Organisation for Security and Co-operation in Europe, which ran the elections, disclosed that in the vote for the 83-seat Bosnian Serb assembly no bloc had achieved an outright majority, as before. The Radical-nationalist alliance was on course to win 36 seats, Mrs Plavsic's coalition 29 and the Moslems, voting through absentee ballots, 18.

Officials expected the Radicals to form a broader coalition with nationalist defectors from Mrs Plavsic's coalition and that the western-backed prime minister, Milorad Dodik, would go into opposition.

The one consolation for the west is it appears likely Momcilo Krajisnik, the nationalist representative on the three-man collective Bosnian presidency, has lost to the western-backed candidate, Zivko Radisic.

FBI assists Poles in car crime fight

By Christopher Bobinski in Warsaw

The US Federal Bureau of Investigation yesterday gave the Polish police access to its database of stolen cars, recognising that Poland has become one of the world's "hot spots" for car theft.

The move comes after similar agreements between Poland and west European police forces. Information on cars stolen in Poland is sent to Interpol's central data bank in Lyons, France, where the Poles can also get information on vehicles stolen abroad.

More than 50,000 cars are stolen each year in Poland, compared with about 120,000 in Germany and 500,000 in the US and Canada. The FBI estimates that about half the cars stolen in the US and Canada are exported.

The agency has identified Poland as a "car theft hot spot", although it says US co-operation with the Polish police is good.

"They have everything in place," David Loesch, deputy director of the FBI's criminal information services division, said yesterday. He did not know how many cars stolen in North America found their way to Poland.

Improved links between the national police forces in west Europe and Poland have already prompted car thieves to hone their technological skills.

Polish police recently broke up a gang specialising in expensive US-made cars which were stolen in Germany and smuggled into former Soviet states.

Before the stolen cars were dispatched, however, the criminals inserted data from bona fide vehicles of the same make into supposedly secure police computer systems, so fooling frontier guards and policemen conducting random checks.

Even though Polish police now have access to data on cars stolen in west Europe and the US, getting that information to frontier posts and patrol cars on the streets remains a problem.

Crime fighters may find some respite from the financial crisis in Russia, which has hit demand from wealthier Russians for imported goods and could also lower demand for stolen cars.

International gangs like one broken up last year by the Spanish authorities will now have to look for clients closer to home. By the time they were caught the gang had shipped some 2,000 stolen vehicles across Poland to buyers in eastern Europe.

NEWS DIGEST

NEW CHIEF FOR UDF

Former minister to lead French rightwing group

François Bayrou, a former education minister, has easily won the leadership contest for the UDF, the more liberal of France's two main rightwing opposition groupings.

He obtained 88 per cent of the votes, but the size of his victory could not conceal his uphill task in reinvigorating a divided right, still demoralised by its general election defeat in 1997. The leadership change followed the departure of the former defence minister François Léotard, once a presidential hopeful who later tainted by corruption scandals.

In March the UDF was further shaken by internal differences over alliances with the racist National Front in the wake of regional elections. This led to Charles Millon, a UDF heavyweight, breaking with the leadership to ally with the National Front in running the Rhône-Alpes region and a further split by Alain Madelin's Liberal group.

Mr Bayrou heads Force Démocrate, the largest of the five parliamentary groups still under the UDF umbrella. **Robert Graham, Paris**

RUSSIAN SPACE PROGRAMME

End of the road for Mir

The Russian Space Agency said yesterday it would retire the 12-year-old Mir space station next summer even if the new International Space Station is delayed.

Russia had originally wanted to keep Mir, the world's only orbiting research station, flying until the first astronauts arrived on the new station. But this week officials said a planned July 1999 launch of the first Russian-American crew to the new station is likely to be put off because of Russian delays in building the living quarters.

The $60bn station brings together the United States, Russia, western Europe, Japan and Canada in the most ambitious high-tech spacecraft ever to be put into orbit. **Reuters, Moscow**

EU BUDGETS

Brussels reveals 'fraud' costs

A suspected fraud against the European Union humanitarian aid budget could cost around Ecu500,000 ($580,000), the European Commission said yesterday.

The case involves the alleged diversion of funds from contracts to monitor aid in the former Yugoslavia and Great Lakes region in Africa. In July the Commission announced that an employee had been suspended pending a judicial inquiry in Luxembourg, home of the company which won the contracts.

Emma Bonino, commissioner in charge of humanitarian aid, said the Ecu500,000 related to four contracts with a total value of Ecu2.4m. She described as "fantastic and intolerable" reports that the Commission had employed hundreds of civil servants through hidden budget lines.

Erkki Liikanen, budget commissioner, said there had been flaws in financial administration but said procedures had been tightened since the suspect contracts were signed. **Michael Smith, Brussels**

CYPRUS DISPUTE

Call for military flight ban

George Robertson, the British defence minister, has urged Greece and Turkey to accept a US-backed ban on military flights over Cyprus. His comments, during visits to Ankara and Athens, were part of the international effort to prevent the deployment of Russian S-300 missiles on the Greek part of the divided island.

He said a no-fly agreement could be monitored through a military radar system controlled by UK forces on Cyprus. It could provide a face-saving way for Glafcos Clerides, the Cyprus president, to avoid installing the missiles.

Mr Robertson said Greece accepted the idea in principle, but wanted it linked with progress on other issues. Turkish leaders oppose an agreement that could be seen as a concession to the Greeks. **Kerin Hope, Athens**

SLOVAK MEDIA

TV chief deprived of stake

The pro-opposition owner of TV Markiza, Slovakia's dominant commercial television station, has been divested of his stake in the company a week before the country's general election.

Yesterday the broadcasting regulator recognised a court ruling that Pavol Rusko, formerly the general director and co-owner of a 51 per cent stake in the station's operating company, was no longer the owner. It ruled that Gamatex, a private company, now had ownership rights.

TV Markiza has broadly supported the opposition, while the two state-owned stations are widely accused of favouring Vladimir Meciar's government. **Robert Anderson**

Skirmishing by small parties takes toll on Sweden's political big guns

Disenchanted voters, tired of watching the two main parties trade insults on familiar issues, are switching their support to smaller factions ahead of Sunday's poll, writes **Tim Burt**

As Swedish elections draw closer, so the tactics of the two main parties have descended into a type of trench warfare. The ruling left-of-centre Social Democrats are pledging to extend welfare services while the rightwing Moderates have promised tax cuts.

But the real campaign battle in the run-up to Sunday's election has been fought and won in the no man's land between the two big parties, where the centrist Christian Democrats and the ex-communist Left party have enjoyed sharply increased ratings.

Recent opinion polls suggest disenchanted Moderate and Social Democrat supporters – tired of watching as the two have traded insults on the familiar issues of Sweden's structurally high unemployment, onerous tax burden and its generous welfare system – have defected in large numbers to the two smaller factions.

The Christian Democrats, offering a more compassionate and welfare-friendly version of Moderate policy, has seen its rating rise from 4.1 per cent in the 1994 election to almost 12 per cent.

The Left, promising 100,000 new public sector jobs and a looser fiscal package, has climbed from 6.2 per cent in 1994 to about 12 per cent.

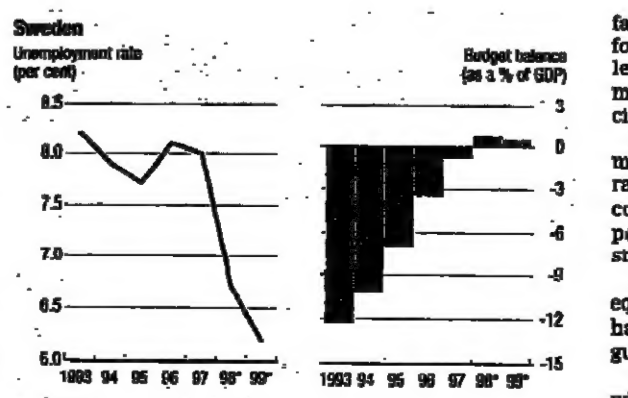
Their gains, however, will deliver one thing only: a prolonged period of horse-trading as the Social Democrats or Moderates try to cobble together a workable government.

That prospect has dismayed Göran Persson, prime minister and leader of the Social Democrats. Mr Persson, fighting his first election since being promoted from finance minister two years ago, has watched with alarm as support for the Social Democrats has fallen from 44 per cent in 1994 to about 37 per cent.

He blames the decline on discontent at his austere fiscal policies, imposed to address the 12.3 per cent budget deficit inherited four years ago from a Moderate-led government. To the acclaim of many economists, the Social Democrats have restored public finances and equipped Sweden to achieve a surplus of 0.5 per cent of gross domestic product in 1999 and 2 per cent beyond that.

"We are still too indebted and our first priority must be to repay more. I will not lead a government that threatens public finances," says Mr Persson. His party's campaign promises are limited to an offer of SKr9bn ($1.2bn) of additional benefits – mainly for childcare costs and pensions

For the opposition parties the government's economic record is a difficult target to shoot at. Nevertheless, Alf Svensson and Gudrun Schyman, leaders of the Christian Democrats and the Left respectively, have scored highly by criticising the largely cosmetic attempts to reduce unemployment levels and the punitive taxes imposed on middle and low income earners.



While they regard the Social Democrats as a common enemy, the two parties remain polls apart on how to proceed.

Ms Schyman wants Sweden's prospective surplus allocated to welfare rather than debt repayment. Mr Svensson hopes to form a non-socialist coalition with the Moderates and the smaller Liberal and Centre parties.

Given that the Social Democrats are likely to remain the largest single party, the election outcome will depend on whether Mr Persson can woo the Left or the Christian Democrats without jeopardising his debt repayment and budget targets. If he fails it could clear the way for Carl Bildt, the Moderate leader and former prime minister, to form a non-socialist coalition.

If this was an emerging market or a young democracy, that uncertain scenario could lead to dangerous political instability and stock market turmoil.

In Sweden, however, the equity and currency markets have been relatively sanguine.

Certainly, a weak minority will not bolster the krona. But economists recognise that Sweden's fragmented political scene means that no party can force through the hefty tax cuts or public spending increases that would seriously threaten the country's current account and budget surpluses.

The market's apparent indifference also reflects the underlying consensus of Swedish politics. Although the Social Democrats are the architects of the welfare state and inextricably linked to the union movement, they have proved capable of administering tough economic medicine and cutting spending.

On the other side, none of the non-socialist parties is threatening to dismantle the welfare state or fund tax cuts by plunging the country into deficit.

Indeed, all the parties have shown themselves ready to work together. The most likely result, therefore, is a weakened minority government dominated by Social Democrats working with at least two other parties.

It will be a political watershed for Sweden only if Social Democrat support crumbles so much that it is forced to bury its pride and form a formal coalition. Unlike its left-of-centre counterparts in Finland and Denmark, the Swedish Social Democrats have tried to govern alone for most of the past 55 years.

That may be about to change, as Mr Persson seems ready to admit. "It is difficult and dangerous to speculate about the [party] combination after the election," he says. "But the SDP will have a key role to play."

SPANISH AIRLINES THREE CARRIERS CHARGED AFTER FARE RISES

Iberia accused of ticket price-fixing

By Tom Burns in Madrid

Iberia, Spain's state-owned national carrier, and its two main private-sector competitors have been accused of price-fixing in a government report to Madrid's competition tribunal. They could be fined up to 10 per cent of their respective turnovers.

A spokesman for the tribunal said yesterday a ruling on the charges awaited resolution of a civil action on fraud allegations against the three airlines that have been separately initiated in the courts by consumer groups.

Under Spain's legal system, court actions take precedence over those of administrative bodies such as the competition tribunal.

The two proceedings, which relate to simultaneous fare increases in April last year by Iberia, Air Europa and Spanair that levelled the price of air tickets on all domestic routes, are the first competition-linked actions to affect Spain's airline industry since it was deregulated in 1993. The three carriers deny the charges.

The fare increases summarily ended a aggressive cheap ticket policy that was launched by Iberia last year to undercut more attractive pricing introduced by the privately-owned carrier Air Europa, and Spanair, which has SAS as a partner.

The government's report said the two private-sector airlines were driven into a precarious financial position by Iberia's low pricing, and that Iberia made a deal because it feared they would both be acquired by foreign groups with sufficient resources to maintain the price war.

In its 60-page report to the tribunal, the government's investigating authority said the three airlines, which account for 95 per cent of domestic air travel between them, had exchanged information on prices, promotions and commissions to travel agents prior to raising their fares on the same day by between 10 and 30 per cent.

For Iberia, which posted pre-tax profits of Pta10bn ($69m) on a turnover of Pta242.8bn for the five months of this year, the charges come at an embarrassing time. The state-owned airline is preparing for its privatisation and is simultaneously locked in a bitter dispute with its pilots, who have threatened strike action to press for a 19 per cent wage rise.

The privatisation involves acquisition of about 10 per cent of Iberia's equity by British Airways and American Airlines, the purchase of a further 30 per cent by domestic institutions and a stock market flotation that is provisionally scheduled for the first half of next year.

The disposal still waiting for final agreement with BA and the US airline, the two strategic allies chosen by Iberia to bolster its international business.

ULSTER PARALLELS HISTORY OF CONTACTS WITH SINN FEIN

Basques learn from N.Ireland peace moves

By Jimmy Burns in London

Eta's announcement of a general ceasefire follows an intensification of contacts over the last year between the Basque guerrilla organisation's political wing, Herri Batasuna, and representatives of Sinn Fein, the political wing of the Irish Republican Army.

Basque interest in the experience of the Northern Ireland peace process began to gather pace last year, with discreet meetings between Herri Batasuna members and British and Irish intermediaries who helped broker the IRA ceasefires in 1994 and 1997.

There have also been a number of direct meetings between Irish republicans and Batasuna sympathisers both in Northern Ireland and the Basque country over the last year, some less public than others.

The main lesson Eta appears to have drawn from the Northern Ireland experience is tactical. The IRA ceasefire has helped raise republicanism's political profile, maintained alliances within the nationalist community, and secured concessions, such as the release of prisoners and moves towards demilitarisation by the British security forces.

However, both Spanish and UK security officials, conscious of the differences between Northern Ireland politics and its Basque counterpart, believe the IRA commitment to a cessation of violence is at this stage more solid than Eta's.

An important difference is that Sinn Féin's leadership is regarded as a persuasive link with the IRA military leadership, whereas Batasuna has never had the same influence on Eta.

Sinn Fein has also been open to persuasion by its US supporters about the advantages of peace, and has relied on the Dublin government to help smooth some of the more intractable aspects of its relations with the UK government.

While the IRA is thought to have helped train Eta in the use of some armaments during the 1980s, there have been no logistical or financial links between the two groups in more recent times, security officials believe.

Eta has been increasing cautious about its military links with non-Basque groups. It suspects that a number of its activities in recent years have been been undermined because of "sting" operations conducted by Spanish and other European intelligence services using foreign agents.

In recent months the main concern for Spanish and UK security officials has been to monitor any possible contacts between Eta and dissident Irish republican groups opposed to the ceasefire by the mainstream IRA.

Although there is no evidence that such contacts have taken place, security officials have not discounted that they might be attempted in the future. Such a step could lead to logistical co-operation between the two groupings.

CAR SALES MARKET MAY FALTER IN SEPTEMBER

Financial crises fail to stop August growth

By John Griffiths

Fears of global recession caused by "contagion" from the Asian and Russian financial crises have yet to have a serious impact on western Europe's buoyant new car market.

Registration statistics for August continue to show growth over 1997, although manufacturers are braced for a possible faltering of sales in September.

Figures from the European Automobile Manufacturers' Association (ACEA) do show a slackening of the pace of market growth in August, to 2.5 per cent compared with the same month a year earlier.

However, this was accounted for almost entirely by an 11.4 per cent fall in Italy caused by the end of government purchase incentives, and a 3.8 per cent drop in the UK, where the August sales "bulge" caused by the introduction of a new registration letter, did not meet industry expectations.

The German market rose by 5.6 per cent year on year in August and the French by 18.2 per cent; however, the latter also reflected market distortions from incentive programmes.

The year-on- year rise for July was 8 per cent. (ACEA publishes the July and August figures simultaneously.) Registrations for the first eight months of the year, at 10,010,435, were 6.9 per cent higher than a year ago.

Within the total, manufacturers' and importers' fortunes varied widely in August.

Korean manufacturers achieved a 25.1 per cent year-on-year rise in the month, reflecting a continuing export drive to compensate for a crisis-hit domestic market. There was no sign of such a push from Japanese car makers, however. their combined share in August rising by only 2.7 per cent year on year to 13.9 per cent from 13.8.

Among European manufacturers, Renault continued to build on the success of its new Clio and Megane models, with a 14.1 per cent year-on-year rise in August to a market share of 10.2 per cent.

Volkswagen group was the only other European volume producer to make a significant gain, of 7.6 per cent to a market-leading share of 16.5 per cent.

General Motors, Peugeot group, Ford and BMW, including Rover, all lost ground.

West European new car registrations
January-August 1998

	Volume (Units)	Volume Change(%)	Share (%) Jan-Jun 98	Share (%) Jan-Jun 97
TOTAL MARKET	10,010,435	+6.9	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,755,456	+8.2	17.5	17.3
– Volkswagen	1,054,195	+5.0	10.5	10.7
– Audi	338,855	+5.7	3.4	3.4
– Seat	257,854	+14.7	2.6	2.4
– Skoda*	104,552	+42.3	1.0	0.8
Fiat group‡‡	1,139,184	+2.7	11.4	11.9
– Fiat	883,951	-2.2	8.8	9.7
– Lancia	129,906	+9.2	1.3	1.3
– Alfa Romeo	123,421	+45.3	1.2	0.9
PSA Peugeot Citroen	1,133,397	+7.9	11.3	11.2
– Peugeot	645,545	+5.7	6.4	6.5
– Citroen	487,852	+10.9	4.9	4.7
General Motors‡	1,122,893	-1.2	11.2	12.1
– Opel/Vauxhall	1,064,445	-2.4	10.6	11.7
– Saab**	51,490	+24.5	0.5	0.4
Ford group‡	1,068,247	+0.3	10.7	11.4
– Ford	1,051,307	-0.1	10.5	11.2
– Jaguar	16,940	+30.7	0.2	0.1
Renault	1,054,540	+16.3	10.5	9.7
BMW group	581,605	-0.7	5.8	6.3
BMW	305,682	-1.1	3.1	3.3
Rover	275,923	-0.3	2.8	3.0
Mercedes-Benz	419,533	+24.2	4.2	3.6
Volvo	162,337	+6.2	1.6	1.6
Toyota	306,114	+18.5	3.0	3.1
Nissan	303,596	+6.1	3.0	3.1
Honda	160,987	+5.5	1.6	1.6
Mazda	146,112	+10.5	1.5	1.4
Mitsubishi	127,493	+4.5	1.3	1.3
Total Japanese	1,205,574	+10.7	12.0	11.6
Total Korean	252,145	+33.2	2.8	2.3
MARKETS:				
Germany	2,519,322	+3.8	25.2	25.8
Italy	1,730,300	+4.8	17.3	17.6
United Kingdom	1,680,100	+3.9	16.8	17.3
France	1,247,722	+11.6	12.5	11.9
Spain	793,865	+15.1	7.9	7.4

*VW holds 70 per cent and management control of Skoda.
‡Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
‡‡ Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Eta ceasefire a challenge to the Aznar government

The truce comes at a time when there is no consensus in Spain on how to deal with Basque separatism, writes **David White**

Despite official caution and widespread scepticism, the unilateral truce announced by the armed separatist organisation Eta is the nearest thing to a breakthrough in Spain's violent Basque conflict for nearly a decade.

Eta's announcement of a "general ceasefire" starting today, five weeks away from Basque regional elections, is the first time it has halted attacks for an indefinite period since it began its bombing and shooting campaign 30 years ago.

Its move is seen partly as a result of clampdowns by Spanish and French police against the organisation itself, and by Spanish courts against its political wing, whose entire leadership was sent to jail last December.

But it is also significantly influenced by the example of Northern Ireland's peace process, which has raised expectations among Basque nationalists about the possibility of a political outcome.

When the Northern Ireland agreement was concluded in April, Eta said it was "ready to learn" but went on to commit three more murders in May and June. It has not attacked since then.

Its communiqué, sent in the Basque language to two newspapers, announced an "unlimited suspension of armed actions" – similar to the ceasefires which the IRA called in 1994 and again, after breaking that one, in 1997.

Its previous truce offers were for fixed periods and tied to explicit conditions. Apart from a one-week truce two years ago, it had not called a ceasefire since early 1989 at the time of the last official contacts, in Algeria, between the Spanish administration and Eta. That respite lasted three months.

The timing of its latest initiative appeared aimed at wrong-footing the government, with the prime minister, José María Aznar, away on a trip to Colombia and Peru and his Popular party at loggerheads with the Socialist opposition.

Unlike the case with Great Britain and Ireland, public opinion in the rest of Spain is hostile to political concessions to Basque radicalism. Spain is far from a political consensus on how to approach the problem of Basque violence, and no figure has yet emerged on Eta's political side with an authority comparable to that of Gerry Adams, the Sinn Féin leader.

Eta's move also drives a wedge between both of the main national parties and Basque political forces as they prepare for regional elections on October 25.

The Eta move was significantly influenced by the example of Northern Ireland's peace process

Its statement passed responsibility to the Madrid government, setting no specific conditions but plainly threatening to resume hostilities if it did not get a response "of the same magnitude". Eta made it clear it would keep up its "usual functions of supply, maintaining structures and the right to defend itself in any confrontation". Eta is reckoned to have only a few dozen front-line members based in Spain, mainly around San Sebastian, but has more reserves living in France. About 500 members are in jail.

The organisation showed no sign of lowering its aims, rejecting the "autonomy path" as a failure and seeking to "break bonds with Paris and Madrid" and form an independent Basque country including the current Spanish Basque region, neighbouring Navarre and the contiguous area of France. It called for an end to current parties and "institutional and repressive structures."

Rumours had been building up for weeks about a truce, regarded by many as a pre-election gambit. In the last Basque election four years ago there was no official ceasefire but Eta held off from terrorist attacks during the campaign to help its political wing, Herri Batasuna (HB), which won 16 per cent of the vote.

The ceasefire announcement was the fruit of talks which the Basque Nationalist party (PNV), the region's leading political force, held through the summer with HB's new leadership. The PNV has insisted on keeping lines open with HB, at the cost of a rift in June with the Socialists, its long-time coalition partners in the Basque government.

PNV leaders have suspected the centre-right Madrid government of preferring to tolerate a certain level of violence rather than risk a combined front of nationalist parties coming to power in the Basque country.

The ground was laid for the ceasefire by a weekend declaration by Basque and Communist parties proposing open-ended talks. Unlike an earlier PNV attempt to launch a peace process involving all parties, the declaration did not rule out participation by Eta itself and accepted that a definitive ceasefire might not come until the end of the talks. Endorsed by the PNV-led Basque government, it foresaw discussions extending to the issues of self-determination, independence and Spain's 1978 constitution.

But the constitution is something neither of Spain's main parties wants to tamper with, fearing they could be opening a Pandora's box.

A masked youth at an Eta demonstration earlier this year AP

Former minister to lead French rightwing group

End of the road for Mir

Brussels reveals 'fraud' cost

Call for military flight ban

TV chief deprived of stake

Setback for Microsoft on new evidence

By Louise Kehoe in San Francisco

Microsoft yesterday lost its bid to exclude definitively new evidence of alleged anti-competitive activities in advance of its landmark antitrust trial on charges filed by the US Justice Department and 20 states.

However, US District Judge Thomas Penfield Jackson said he would rule on what evidence the government may present against the software company on a point-by-point basis during the trial, now scheduled to begin on October 15.

The government has alleged that Microsoft has used illegal anticompetitive tactics to maintain its monopoly position in the world market for personal computer operating system software. Microsoft's Windows is installed on more than 90 per cent of new PCs.

The original case, filed in October, focused on allegations that Microsoft had also attempted to extend its Windows monopoly to the market for internet browsers.

However, earlier this month, the government introduced new allegations that Microsoft had attempted to use bully tactics against industry rivals including Intel, Apple Computer, Real-Networks and several others to dissuade them from competing with it.

Yesterday, during a short court hearing in Washington, the judge refused to hear details of how the government planned to use this new evidence, and acknowledged that Microsoft lawyers "may be right" in their assertions that such evidence was not germane.

But the judge made clear that he would not make a pre-trial ruling on the issue. "I'm not prepared to say at this point I won't hear evidence," the judge said.

Government lawyers argued that evidence of these incidents supported their charge that Microsoft had used illegal tactics to maintain and extend its monopoly.

However, Microsoft argued that the government was attempting to broaden its case at the eleventh hour with "extraneous" issues. The company also claimed it would not have time adequately to prepare to address the new issues. "We've got a limited amount of time left. We've got a lot of work to do and it would be easier for everybody if we don't have to chase down what turn out to be ghosts," said John Warden, Microsoft's lawyer.

Microsoft said that if the judge agrees, during the trial, to allow the government to present new evidence, "the schedule for trial and the procedures to be observed should be adjusted to reflect this profound change in the nature of the case." The company said it would "reserve the right to seek additional time" during the trial.

THAT VIDEO TAPE POLITICAL ROW ABOUT FAIRNESS THREATENS TO OBSCURE THE UNDERLYING ISSUES OF THE LAW

Violation of rights or part of record?

By Richard Wolffe in Washington

The question of whether to release President Bill Clinton's video-taped evidence in the Monica Lewinsky investigation has given rise to a fierce political debate about fairness in any possible impeachment process.

Democrats claim the idea of publicly releasing the tape is part of a strategy to embarrass both the president and the party, with the prospect of their Republican opponents broadcasting excerpts in political advertisements in congressional elections in November.

But Republicans argue the tapes are a vital piece of evidence in assessing the perjury claims set out in the Starr report. Mr Clinton is accused of lying under oath before the grand jury last month, as well as in his deposition in the Paula Jones sexual harassment case in January.

The political clash appears to ignore the supposedly secret nature of grand jury evidence. Grand juries are designed to assess whether there are grounds for proceeding with serious criminal charges, and their workings are meant to be confidential. Legal experts have raised fears that the release of the tapes is another step undermining the role of grand juries in the US legal process.

But the reality is that grand juries have declined in importance to the point where they are widely seen as mere rubber-stamps of a prosecutor's arguments. Moreover, their evidence – although heard in secret – is often released by courts for use in related civil lawsuits.

Secrecy is moreover a grey issue in the uniquely public procedure of impeachment. Under the US constitution, the House of Representatives acts first as a jury, deciding on whether charges should be pressed against the president. Then members of the House act as prosecutors and defence lawyers in a trial before the Senate.

This broad role – as both the court and leading players in the process of impeachment – means that Congress has an enormous amount of freedom to shape how it deals with the evidence of the case. Moreover, the independent counsel law – which governs Kenneth Starr – confirms the supreme role of Congress.

Secrecy is a grey issue in uniquely public procedure of impeachment

"The statute directs the independent counsel to present a report to Congress and at that point, once it comes into its possession, it is up to Congress as to whether it will be released to the public," said Mark Klugheit, senior litigation partner of Dechert, Price and Rhoads of Philadelphia.

The House of Representatives voted on Friday to treat the entire report – including the additional materials and evidence – as a document of the House, which places it in the public domain.

The only issue of privacy for the House was raised by Mr Starr himself, when he delivered his report to Congress. In an adjoining letter, Mr Starr said there was confidential material which needed to be edited to protect innocent individuals. The work to edit the additional material must be completed by September 28.

For Republicans, the video tapes are merely part of the public work of Congress, even in criminal proceedings. Christopher Cox, a representative of California and former White House counsel to President Ronald Reagan, said the precedent for releasing the Clinton tapes came in the Iran-Contra affair.

"When Admiral [John] Poindexter, who had served President Reagan as his national security adviser, went on trial in connection with the Iran-Contra affair, President Reagan gave eight hours of video-taped deposition testimony. That testimony was released simultaneously to all of the networks as it was introduced in that criminal proceeding in court," he said.

He added: "One of the most serious allegations in the Starr report is that the president of the US committed perjury in his testimony just a month ago before the grand jury. In order to judge whether he was telling the truth before the grand jury, it is important for us to examine the record."

However, Democrats argue that Republicans are riding roughshod over the grand jury process. Charles Rangel, representative from New York, said: "I for one believe that far more important than President Clinton's feelings or political predicament is to try to protect those institutions that allowed this Republic to survive for 200 years, not withstanding our temptation to change those things.

"Unless the president – the witness in the grand jury – waives their constitutional rights to secrecy, I do not think his testimony should be made public."

But the White House has shown little interest in challenging the release of the tapes, and Mr Clinton admits he expected the tapes to become public.

For Mr Klugheit, who was a special counsel to the US senate in the impeachment trial of Judge Alcee Hastings in 1989, that reluctance suggests there was a deal struck between the White House lawyers and Mr Starr. "You do not normally have a video tape of testimony – it could have been accomplished by a simple video transmission," he said. "You have to wonder why would a prosecutor want a video tape, if not ultimately to make it public."

Other legal experts question Mr Starr's intentions during the course of his investigation in a series of leaks to the press. Francis Boyle, professor at the University of Illinois College of Law, said: "The Starr strategy has been to violate the secrecy of the grand jury from the beginning, to illegally and unethically release evidence to the public," he said.

"We have seen politics played by Mr Starr in the grand jury and that raises the basic question of the whole fairness of the proceedings. But once the report is in the hands of Congress, I think the people do have a right to know. If the sanctity of the grand jury was violated, it was by Mr Starr," said Prof Boyle.

Clinton speaks through interpreter to Czech first lady Dagmar Havlova at a state dinner Reuters

Canada's trade surplus edges up

By Edward Alden in Toronto

Canada's merchandise trade surplus edged up to C\$1.6bn (US\$1.06bn) in July, turning around a weak June performance but doing little to allay fears that slowing exports are continuing to hurt the economy.

Statistics Canada, the government reporting agency, said exports rose 0.6 per cent in July from the previous month, after a 2.3 per cent decline in June. The improvement was driven by continued strong sales to the US, which accounted for a record 84.2 per cent of Canadian exports in July. Exports to Europe also rose sharply.

But exports to Japan continued to fall and are now just half of their record level in December 1996.

Nesbitt Burns, the Canadian brokerage, said the trade surplus for 1998 would be around C\$15bn, down from C\$24bn last year. That would push the current account deficit to about C\$18bn, more than two per cent of gross domestic product, compared with C\$13bn in 1997. The Canadian dollar took little comfort from the trade figures, dropping half a cent to 65.6 cents US in midday trading, despite intervention by the Bank of Canada to buy US dollars.

Imports were also down 2.1 per cent in July, largely because of a steep decline in motor vehicle parts imports due to the General Motors strike in the US.

The agency had originally reported a small increase in exports in June, but revised the figures to a 2.3 per cent decline. The error was due primarily to a C\$300m gold shipment that had originally been counted as an export but was subsequently revealed to be a transaction between non-residents.

Protest at World Bank over Africa oil project

By Nancy Dunne in Washington

Environmental organisations yesterday gathered outside the World Bank to protest against its proposed investment in an oil pipeline in Chad and Cameroon which would be the largest construction project in sub-Saharan Africa.

Inside, bank officials were meeting their proposed partners – representatives from the oil companies Exxon, Shell and Elf – and their own environmental agents to limit damage by the construction of the 1,050 km pipeline.

The environmental groups, led by Friends of the Earth, contend that the project will produce "severe, irreversible environmental damage as it cuts through hundreds of miles of rainforest and several wildlife sanctuaries".

Animal species at risk include black rhinos, elephants, chimpanzees and gorillas.

They also say that a tanker terminal to be constructed in Cameroon "poses a major risk for marine pollution".

World Bank officials deny accusations that indigenous pygmy settlements would be uprooted if construction is allowed to proceed. Robert Calderisi, head of external affairs for Africa, said if there is any movement of people it will be limited to 50 families, who will be compensated.

He said the bank is taking care to follow existing infrastructure – rail lines in Chad and frequently-used logging roads in Cameroon – to limit the damage, and will avoid the pygmies' hunting grounds.

"The bank's involvement is meant to help protect the environment," he said.

The proposed project, costing \$2.5bn, would develop oil fields in the Doba region in southern Chad; construct a buried pipeline from the oil fields in Chad to Cameroon's Atlantic coast; construct related pumping stations and an offshore marine export terminal facility off the coast of Cameroon. It would come on line in 6-7 years.

The consortium of oil companies financing the project consists of Exxon (40 per cent); Shell (40 per cent); and Elf (20 per cent).

The World Bank is considering a \$115m loan to Chad and Cameroon to give the governments equity in the project.

The bank's private sector arm, the International Finance Corporation, is considering a \$250m loan to the consortium to mobilise an additional \$1bn on the private market in limited recourse debt.

US banks given fresh warning on standards

By Richard Waters in New York

US banks have continued to relax their loan standards in what traditionally have been some of the most risky areas for lending, according to one of the federal bank regulatory agencies.

The news comes despite a mounting series of warnings from bank regulators, including the Federal Reserve and the Federal Deposit Insurance Corporation. The Fed warned in June of a "noteworthy and measurable" easing of standards and urged banks to be more careful in their lending practices.

In a survey of bank lending carried out in the second quarter of this year, the Office of the Comptroller of the Currency said yesterday it had identified looser loan terms in three main areas: syndicated lending, loans to mid-sized companies and real estate lending. These areas "comprise a significant portion of bank loan portfolios and, historically, have produced a majority of loan losses," according to the OCC report.

Real estate loans, which accounted for the bulk of the banks' bad debt problems in the early-1990s, had already been singled out for criticism by other bank regulators. Of banks surveyed, 43 per cent had relaxed their loan standards in this area, while only 8 per cent had tightened, according to the OCC, which oversees the activities of nationally chartered banks in the US.

Thanks to the Asian currency crisis international lending has become much more strictly controlled, according to the OCC. This was the only area of commercial lending where the banks have become tougher, reversing a notable easing the previous year.

Last month's default in Russia has had relatively little impact on US commercial banks compared with their European counterparts, though some banks have sustained big losses from trading in financial markets during the currency turmoil.

Even in areas where lending standards have been tightened the level of risks carried by the banks has been climbing, according to the bank regulators. That includes credit card and other types of consumer lending, where banks have become more rigorous over the past two years: earlier loans, made under laxer conditions, still account for a majority of such lending.

The OCC said its examiners, who visited 77 large banks, expect the level of risk in retail and commercial loan portfolios to climb further over the next year.

FIRST-ROUND WIN LIKELY FINANCIAL MARKETS HOPE FOR QUICK RESULT IN PRESIDENTIAL ELECTION

Cardoso extends lead in Brazilian polls

By Geoff Dyer in São Paulo

Fernando Henrique Cardoso, Brazil's president, has extended his lead in the opinion polls for October's general elections despite the turmoil in the country's financial markets and the austerity measures taken by his government.

According to a poll published yesterday by the Ibope research group, Mr Cardoso would receive 49 per cent of the vote in the first round of elections on October 4, an increase of 2 percentage points over the previous poll.

If the results were repeated in the elections, Mr Cardoso would win on the first round, having received more votes than the other candidates put together.

From the point of view of Brazil's turbulent financial markets, a victory by Mr Cardoso in the first round is seen as vital.

Failure to win on the first round would reduce Mr Cardoso's political leverage to cut public spending aggressively after the elections. It would also extend the political uncertainty of the campaign by three more weeks at a time when Brazil has a heavy schedule of maturing debt.

"A second round could be a short-cut to disaster," said one São Paulo-based economist yesterday.

Political analysts said voters were moving to Mr Cardoso because they saw his policies as the only chance of maintaining economic stability.

His nearest challenger, Luiz Inácio Lula da Silva of the leftwing Workers party (PT), fell one percentage point to 22 per cent in the poll, which was taken at the peak of concerns last week about Brazil.

The government has been forced to raise interest rates twice and outline \$6bn (£3.6bn) of spending cuts for this year in recent weeks to stem heavy capital outflows and shore up financial markets.

Domestic support for the government's policies, however, did not prevent another nervous day on Brazil's financial markets, with shares in São Paulo down 8.1 per cent by early yesterday afternoon.

Investors were disappointed by Wednesday's comments from Alan Greenspan, chairman of the US Federal Reserve, which played down the chances of a co-ordinated interest rate cut by leading economies.

The market was also affected by the \$578m capital outflow on Wednesday, which was higher than expected. "If there is another increase in outflows today [Thursday], then Friday will be very rough for the market," said Mauro Schneider, economist at ING Barings in Brazil.

Market volatility did not stop the São Paulo state government from privatising Bandeirantes, the electricity distribution company which was originally put up for auction in April but did not find a buyer.

A consortium consisting of Eletricidade de Portugal and VBC, a joint venture of three leading Brazilian companies, were the only bidders in yesterday's auction and paid the minimum price of R\$1.01bn (US\$857m) for Bandeirantes, the country's fourth biggest electricity distributor.

Although there was only one bidder for Bandeirantes, economists said the result of the privatisation was positive news.

The inflow of funds would boost Brazil's steadily diminishing reserves, now estimated at \$49bn, and was a sign that multinationals maintained confidence in the medium and long-term outlook for the economy.

Argentina eyes pension funds for financing

By Ken Warn in Buenos Aires

Argentina's private pension funds have been asked to participate in the \$6bn (£3.6bn) financing package which the government is putting together with multilateral institutions.

The package, aimed at covering the country's financing needs until the end of the first quarter of 1999 without accessing the international capital markets, will also include loans from the World Bank and Inter-American Development Bank.

The government is negotiating with the pension funds, known as AFJPs, to secure commitments on their future levels of investment in government bonds. The AFJPs could also be asked to participate directly in primary debt issues, said Pablo Guidotti, deputy economy minister.

The AFJPs have already been heavy investors in government bonds, which accounted for 45 per cent of their total assets of \$10.8bn at the end of July.

Negotiations on the package were 'pretty advanced'

The funds, set up in 1993 amid the collapse of the state pension system, have seen profitability badly hit by the fall in the local stock market.

Average annual returns fell to just 1.82 per cent in July, against over 26 per cent in the same month of last year. However, the AFJPs have not as yet experienced net redemptions.

Negotiations on the financing package were "pretty advanced," and may be finalised within the next two weeks, said Mr Guidotti. The package is aimed at providing liquidity if Argentina is unable to continue with its international borrowing due to market turmoil. The country has yet to raise \$2bn to complete this year's borrowing, while next year's total needs are estimated at \$14bn.

Mr Guidotti said the government had no plans to review its programme of rolling over short-term domestic debt, despite a sharp rise in interest rates demanded by market makers in Tuesday's auction of \$250m of 91-day dollar-denominated Treasury bills, or Letes. The annual effective interest rate rose to 13.96 per cent, against 7.6 per cent secured in an auction of short-term peso debt last month.

"This was a significant increase, but the auction still shows that in conditions of extreme volatility we can conduct such an operation at much lower interest rates than other countries," said Mr Guidotti. Short-term debt, at just over \$3bn, represents only 3 per cent of Argentina's public debt stock.

Plans to cut costs for taking on new workers

Mr Guidotti denied that Argentina had been in discussions with the International Monetary Fund to increase its \$2.8bn extended fund facility, agreed earlier this year.

Sale of the government's remaining 20 per cent stake in former state-owned energy concern YPF, Argentina's biggest company, was not part of the financing package, he said.

In moves aimed at easing the impact of the international financial turmoil on the real economy, Antonio Erman González, labour minister, this week unveiled plans to cut costs for companies taking on new workers.

Employers' social security costs for new staff would be cut to half the existing level, he said, in an effort to create jobs. Job creation has slowed and unemployment has remained stubbornly above 13 per cent, despite strong growth in the first half of this year.

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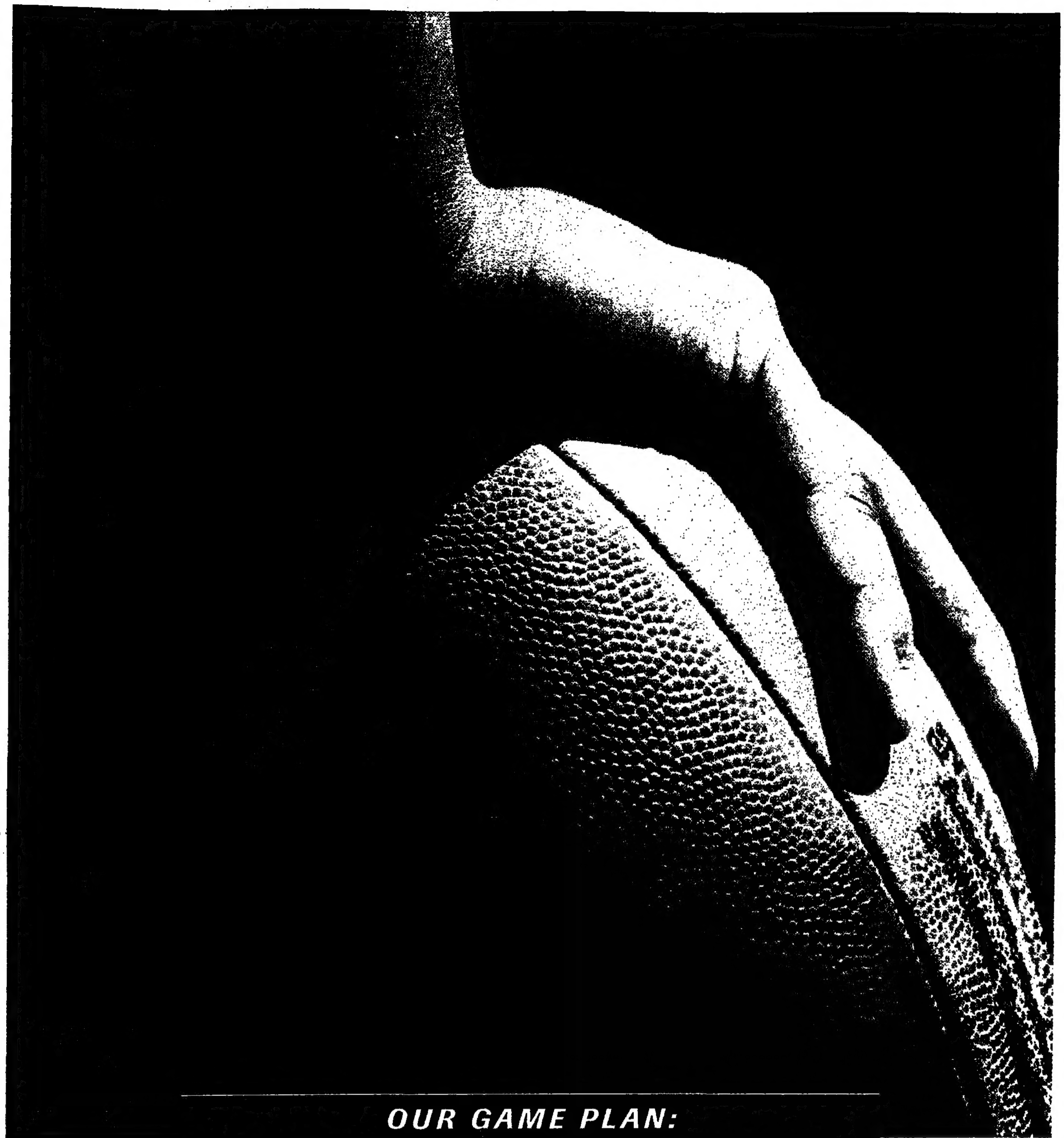

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THE WORLD ECONOMY BANKERS QUESTION ABILITY OF BIG THREE NATIONS TO ACT TOGETHER

Doubts surround hope of co-ordinated action

By Stephen Fidler in Washington

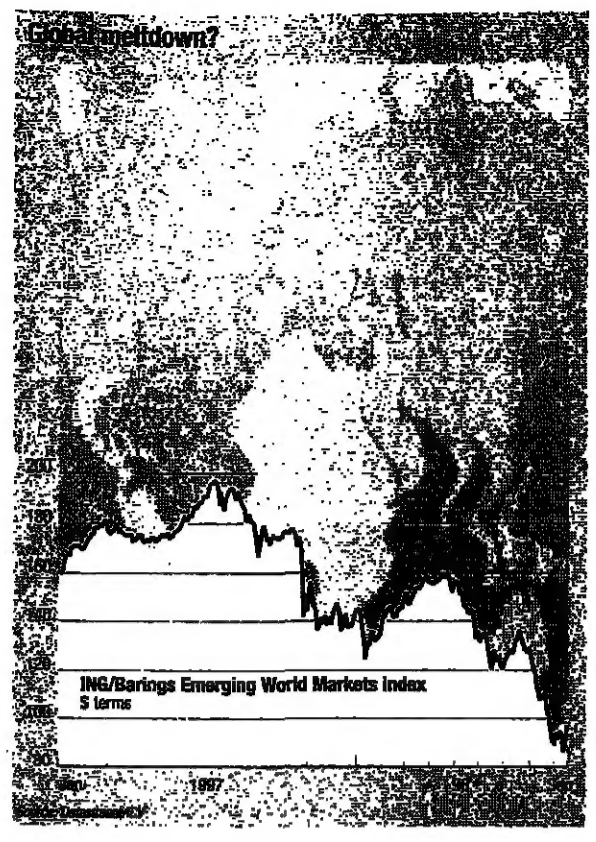
Finance ministers and central bank chiefs in the industrialised world signalled on Monday that they had woken up to the dangers to their own economic stability by the turbulence in world financial markets.

But statements since then from some of the signatories – coupled with differences in viewpoints and economic priorities among its member governments – have raised questions about their willingness at this stage to act in concert to prevent the crisis from spreading further.

The statement from the Group of Seven acknowledged that "the balance of risks in the world economy had shifted" – away from inflation and towards a slowing of growth, and was accompanied by a strong speech from President Bill Clinton in New York, outlining the depth of US concern about financial turbulence.

The G7 governments "emphasised their commitment to preserve or create conditions for sustainable domestic growth and financial stability in their own economies. In this context, they noted the importance of close co-operation among them at this juncture".

This was taken as a hint that central banks would stand ready to respond with interest rate reductions to stave off further turmoil. Yet, since then, some of the officials in whose name the statement was issued have indicated that they think differently. On Wednesday, Alan Greenspan, chairman of the US Federal Reserve Board, gave no hint that he was yet ready to cut rates. Hans Tietmeyer, the Bundesbank president, said on Tuesday: "It is wrong to see the statement as a signal for global relaxation of monetary policy."



Mr Tietmeyer's view was implied in the G7 communique, which pointed to "some encouraging developments as regards domestic demand growth in continental Europe".

This suggests that Germany, in the apparent early stages of its growth cycle, believes it has little room to cut rates. Moreover, with central bankers trying to establish their anti-inflation credentials going into monetary union, they may prefer, even more than usual, to err on the side of caution.

Given that Japan's interest rates are near zero anyway and Canada's currency weakness gives it little room for manoeuvre, any talk of co-ordinated interest rate cuts is therefore limited to the US and the UK. So was the statement anything more than an expression of wishful thinking and does the talk of close co-operation meaningless?

Michel Camdessus, managing director of the International Monetary Fund, said: "Co-ordination of macroeconomic policies across the world is not cutting interest rates in a kind of across-the-board or uniform way. You will never have that, particularly when the United States is at the end of its expanding cycle while Europe is starting it." He said however, that there was room for other European economies to lower interest rates towards German levels – and also large scope for the continent's finance ministers to contribute by lowering budget deficits.

Beyond this, however, important differences have opened up within G7 governments about how the crisis has been handled so far – and how to deal with it moving forward. This includes a questioning by both Japan and Germany of the economic model that has been promoted by the US Treasury and the IMF since the end of the cold war.

Japanese officials, whose plan to create a big Asian-style IMF was rebuffed last year by the US, also believe the IMF mishandled the Asian financial crises.

Some German officials, meanwhile, blame the US and the IMF for getting Russia wrong, in particular for emphasising the opening of capital markets – in which US financial institutions have been very heavy speculators – while ignoring for too long an underdeveloped banking system. Moreover, they doubt the efficacy of global interest rates cuts in reducing the spread of financial contagion to Brazil, whose problem they view as essentially an excessive fiscal deficit.

They also remain concern about "moral hazard". In other remarks by Mr Tietmeyer this week, less reported, he said big speculators should not be bailed out by more conservative investors. Meanwhile, comments by Stanley Fischer, the IMF's deputy managing director, published in a German newspaper following an interview he apparently believed was off the record, have not enamoured the institution to the Kohl government. He suggested the election considerations of the Kohl government were one factor in its decision not to push in more funds to Russia ahead of its devaluation last month.

Beyond these differences of approach, the forthcoming election in Germany, Mr Clinton's domestic problems – which means he will find it hard to persuade Congress of the need for bilateral US financial support for Latin America, for example – and Japan's own economic and political weakness are also raising questions about the ability of the three leading economies to act – even if they agree what to do.

This has left a role for Britain in trying to help the US Treasury galvanise a co-ordinated approach among governments that are not yet unified in their view of the cause, solution and seriousness of the crisis.

Lack of maps for Middle East road to peace

By Judy Dempsey in Jerusalem

When Dennis Ross, US Middle East envoy, met Palestinian negotiators over the past two weeks, they asked: "Where are the maps?"

The maps are supposed to show from which part of the West Bank Israel will withdraw under the 1995 Israeli-Palestinian Interim Agreement. And since the amount of land in question is 13 per cent, western diplomats remain baffled as to why Israel will not present any maps.

The Palestinians have accepted a US proposal, drawn up last February to break the 18-month deadlock in the Israeli-Palestinian negotiations. It envisages Israel handing over 13 per cent of land, well below Palestinian original expectations of 30 per cent and above Israel's earlier 6 per cent offer. Madeleine Albright, US secretary of state, believed it could help restart negotiations.

Instead, Benjamin Netanyahu, Israeli prime minister, whose advisers claim is now willing to accept the US plan, has introduced so many "ifs" as to make the Palestinians wonder if they will reach agreement on the second Israeli pullback by May 4 next year. That is when Yassir Arafat, president of the Palestinian Authority, plans to declare a Palestinian state.

Mr Netanyahu wants to place 3 per cent of the 13 per cent in a "nature reserve" without clarifying its future status or its location. "How can we negotiate without maps, without plans," Saeb Erekat, Palestinian negotiator, told Mr Ross. Mr Ross replied: "You have a point."

There were other outstanding issues, dating back to the 1993 Declaration of Principles on interim self-government arrangements that Mr Ross tried, without success, to nail down this week. No definition of a safe passage between the West Bank and Gaza and its security implications was reached. Israel rejected a memorandum of understanding drawn up by the CIA last December to monitor how both sides would fight terrorism. Meanwhile, wrangling over operating an airport and sea port in Gaza continued.

"A detailed package was on the table, exactly what the US plan is about," said a senior Palestinian. "Everything is linked. We would refuse to accept an airport tomorrow because we do not trust Netanyahu to then go ahead with the redeployment." Israel says it refuses to go ahead with the pullback because it does not trust the Palestinians to fight terrorism.

But because the US package is tied to a redeployment agreement, diplomats say Mr Netanyahu is reluctant to sign up. Until now, he has managed to break down the Oslo accords, isolating the issues from each other in a bid to renegotiate them out of the context of Oslo. This is how he negotiated the troop withdrawal from Hebron in January 1997. Belatedly, the US plan is an attempt to put Oslo back on track with the aim of reaching some agreement before next May.

The Palestinians say they want the plan wrapped up before May. If there is progress on land, the ports, the corridor, it could lead to final status talks. In turn, Mr Arafat might desist from declaring a state while negotiations continue.

But what does Mr Netanyahu want? He said on television this week he would cancel the Oslo accords if Mr Arafat declared a state next May – "a very high risk strategy," says a close aide.

NEWS DIGEST

US OPINION

American public warms to the United Nations

Most Americans give the UN its highest approval rating since 1960 and believe that the world body is "very important" for US interests, according to a survey released yesterday. The poll showed that 72 per cent viewed the UN as "very important for American engagement", an increase of 54 per cent over three years ago, and that 60 per cent said the UN was doing a "good job", up from 49 per cent.

The survey comes with the US in danger of losing its vote in the General Assembly unless Congress approves the payment of its outstanding dues to the UN. The results show that Americans by a three-to-one margin favour paying $1.6bn in dues. **Laura Silber, New York**

AFRICA'S FRANC ZONE

Asia crisis cuts growth outlook

The Asian crisis is expected to cut growth prospects among the 15 west and central African countries belonging to the franc zone by 0.5 per cent this year, according to the annual report of the zone's monetary committee.

The report says the worst affected sectors would be limited because of the small degree of trade with Asia. As a result 1998 growth is expected to hold at an average of 5 per cent. This compares with last year's 6 per cent for west African countries and 4.7 per cent for the central African nations in the zone. The 1997 performance was the third consecutive year in which growth outstripped the rest of sub-Saharan Africa. But the report warns higher growth rates will require more long-term investment. Growth benefited from low interest rates and inflation varying from 3.5 per cent to 5 per cent among the 15. The franc link will be replaced by the euro when full European monetary union begins in 2002 and the report says this should help franc zone exports. **Robert Graham, Paris**

IRAN-AFGHAN CRISIS

Albright to join talks

Madeleine Albright, US secretary of state, will meet Kamal Kharrazi, Iran's foreign minister, next week for the highest level contact between the two countries since immediately after Iran's Islamic revolution and the seizure of the US embassy in Tehran in 1979, US officials confirmed yesterday. The meeting will be part of an eight-nation discussion aimed at pushing a diplomatic solution to the worsening crisis between Iran and Afghanistan. It will follow an address by Mohammed Khatami, Iran's reformist president, to the UN General Assembly early next week.

The group hopes to head off threats of a military confrontation between Iran and Afghanistan's Taliban militia. Mullah Mohammed Omar, the Taliban leader, yesterday threatened Iran with a "war which will last 20 years" if Iran took military action in response to the Taliban killing of Iranian diplomats and Shia Moslems in Afghanistan.

Sartaj Aziz, Pakistani foreign minister, flew to Tehran yesterday in an effort to ease the growing strain on Iranian-Pakistani relations caused by Pakistan's continued support for the Taliban.
Mark Huband, Tehran and Farhan Bokhari, Islamabad

ment in government bonds.

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Internet and phone experts seek harmony

By Louise Kehoe in San Francisco

Internet and telecommunications standards groups are pledging to collaborate in an effort to ensure that technical standards do not clash as the worlds of data and telephony converge.

The technologists also hope that by presenting a united front they will be better able to ensure that technical standards for the internet do not become a political football in the international trade arena.

The Internet Society's Internet Engineering Task Force (IETF), which agrees new technical standards for the internet, has agreed to collaborate with the International Telecommunication Union, a Geneva-based organisation that is the recognised standards body for the telecommunications industry.

The groups plan to share the role of determining technical standards for new services on the internet. Their agreement grew out of a recently completed joint effort to set standards for sending facsimile messages over the internet.

The agreement bridges the hitherto separate worlds of telephony and computer communications. "With the rapid convergence of technologies in the telecommunications world, it is vital that organisations involved in these technologies develop productive ways of working together," said Scott Bradner, Internet Society vice president of standards.

The move could also help to bolster the internet group's status among international standards-setting bodies. The IETF has felt under siege by various government-backed standards groups, all seeking a role in the internet standards process, said Mr Bradner.

With national governments, international political and economic groups, as well as businesses, now taking a close interest in the internet and electronic commerce, some technologists fear that the establishment of new internet standards could become bogged down by political and international trade issues.

In particular, the technologists are determined to preserve their consensus-building approach, which involves technologists from around the world debating technical issues via electronic mail and bulletin boards. This avoids the bureaucratic processes that often delay new standards in other technology sectors.

This may be crucial, because there is a widely held belief among leading US computer and software companies that traditional standards-setting organisations are too ponderous to keep pace with rapid developments in internet technology. Rather than wait for standards groups to act, the US computer industry frequently adopts *de facto* standards long in advance of *de jure* standards which hold greater sway in Europe. Avoiding such a split, which is frequently accompanied by suspicions that the standards-setting process is used to create trade barriers, may be vital to the future of electronic commerce.

● Frederick Stüdemann adds from Berlin: Information technology industry groups yesterday urged governments not to over-regulate electronic commerce and risk stifling a nascent business sector.

At a conference of international IT associations in Berlin, delegates agreed a framework document calling for a simple, globally harmonised legal framework for electronic commerce.

To bolster the security of transactions and promote customer trust, delegates said the use of strong cryptographic technology should be unrestricted.

They also said electronic commerce should be treated as a normal commercial activity and not subject to any additional taxation. The recommendations, which place the emphasis for ensuring encryption and data protection on industry and not governments, will be presented to next month's OECD Ottawa conference on electronic commerce.

SHIPPING LINES STRUGGLE TO IMPROVE REVENUES AS ASIAN TRADE TURBULENCE GROWS

Fines compound operators' sea of troubles

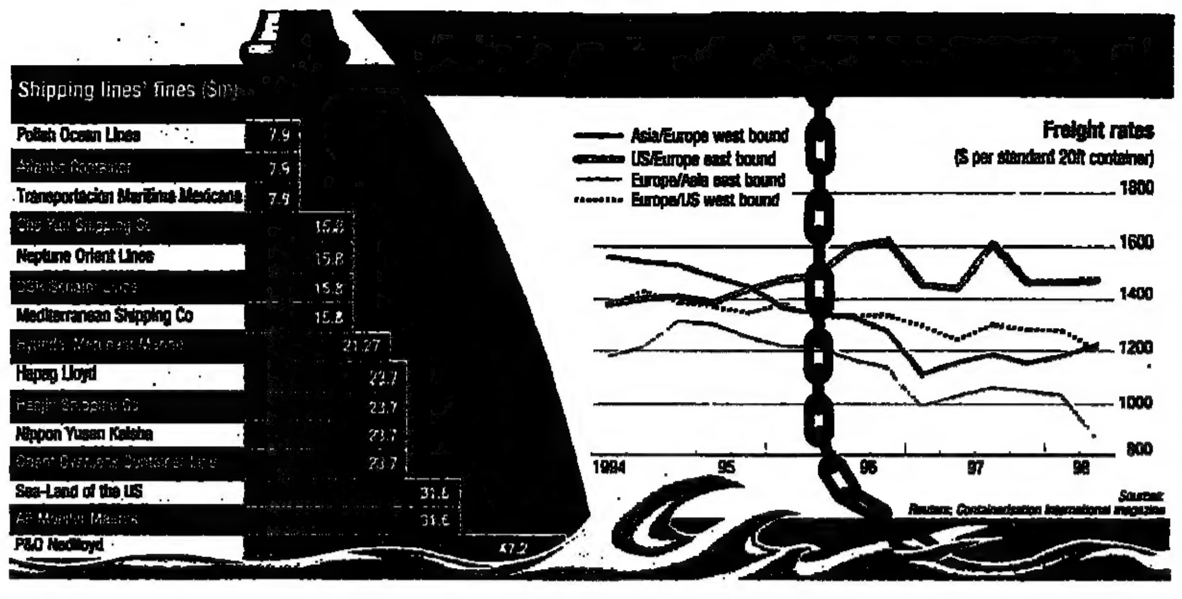
By Charles Batchelor, Transport Correspondent

The record fines imposed this week on 15 shipping lines for price-fixing abuses could not have come at a worse time for an industry attempting to cope with turbulence in its Asian business.

The decline in Asian imports and rise in exports have made it more difficult for shippers to balance their schedules and boosted the costs of repositioning their container "boxes". While outbound freight rates from Asia have risen, inbound rates have fallen.

Lord Sterling, chairman of P&O, says his main concern was for the impact of the European Commission's fines on the balance sheets of the smaller members of the TransAtlantic Conference Agreement. But even the larger container lines have come under pressure in recent months.

Neptune Orient Lines, the Singaporean carrier, this week forecast a loss in 1998 while P&O Nedlloyd last month announced a 39 per cent fall in second quarter profits "as a direct result of the crisis in Asia".



The container shipping lines which serve the north Atlantic have been under fire from their customers, the shippers, ever since they put in place an agreement to regulate rates and capacity in September 1992.

The Trans Atlantic Agreement (TAA), as it was then known, covered 85 per cent of sailings across the north Atlantic and pushed up rates by up to 100 per cent.

The shipping lines argued that the TAA was essential to stem their ruinous losses. On some trades rates had fallen by 50 per cent and in the four years to 1993, when TAA started to make an impact, total losses on the north Atlantic routes reached an estimated $650m.

The shippers attacked the TAA as an illegal cartel and said shipowners were overstating their losses.

In legal terms, the dispute which has continued for the past five years has centred on conflicting interpretations of European regulation 4056, which exempts liner "conferences" from competition rules.

In practical terms it has centred on objections by Karel Van Miert, competition commissioner, to the shipping lines quoting inclusive rates for the sea and land parts of a journey; to the agreement's control of capacity as well as rates; and to clauses in the agreement which allow members to charge differential rates, in contravention of the normal rules.

Under pressure from the Commission, the shipping lines came up with compromise proposals and a new agreement – TACA – in 1994 which dropped the constraint on capacity. This did not stop the Commission outlawing the TAA in October 1994, however.

A further sign that the Commission was determined to roll back the scope of conferences became evident in March 1995 when the 14 members of the Far Eastern Freight Conference were each fined a "symbolic" Ecu10,000 ($10,900) for fixing prices for the land part of journeys.

The shippers are jubilant that their long campaign against the two north Atlantic conferences appears to have been successful although TACA has said it will appeal. Lord Sterling, P&O chairman, forecast a long battle "which only the lawyers will win". Attempts to negotiate a deal with the Commission will continue.

Regardless of the outcome of the legal battle, the traditional conference system appears to have had its day.

In recent years the container lines have opted for a system of looser "alliances", which do not include price-fixing agreements.

But even alliances can be clumsy and some companies have preferred outright mergers to gain economies of scale.

Whether these tactics will overcome the chronic overcapacity which has kept returns low in the container sector remains to be seen.

Lufthansa places $2.3bn orders

By Graham Bowley in Munich

Lufthansa, Germany's highly profitable airline, yesterday announced orders worth $2.3bn for 42 aircraft from Airbus, McDonnell Douglas and Bombardier.

Airbus will supply 10 long-haul A340-300 planes and six A321-200 carriers for short and medium hauls.

Lufthansa has been a long-standing customer for both aircraft manufacturers and its passenger airline fleet is split equally between the two types of planes. Lufthansa said yesterday it was still Airbus' biggest airline customer.

Bombardier, the Canadian manufacturer, will supply Lufthansa's regional fleet with 10 50-seater Canadair Jet CRJ100's and 10 new 68-seater Variante CRJ700's.

McDonnell Douglas, which is part of the Boeing empire in the US, will supply six MD11F planes to Lufthansa's cargo division.

Airbus is a consortium owned by Daimler-Benz Aerospace (Dasa) of Germany and Aerospatiale of France, each of which owns 37.9 per cent, British Aerospace, which has a 20 per cent stake, and Casa of Spain, which has 4.2 per cent.

Lufthansa has 309 aircraft in its total fleet, including 210 passenger planes.

Separately, Lufthansa's supervisory board yesterday said the airline would invest around DM520m ($287m) to help build and operate a second terminal at Munich airport. It would take a 40 per cent stake in a joint venture with the publicly-owned Munich Airport Authority.

Lufthansa is growing rapidly, helped by expansion of its international flights via the Star Alliance. But it is also tightening its grip on the domestic market where it makes a loss and faces stiff competition from rivals such as British Airways.

China warns on cotton duties

By James Kynge in Beijing

China accused the European Commission yesterday of protectionism over its proposals to consider anti-dumping duties on unbleached cotton imports, and warned of a "very strong" response if duties were imposed.

The EU's executive was thought likely to produce new anti-dumping duty proposals against five developing countries, including China, after its attempt to impose five-year duties was defeated this week in a vote by the EU's 15 member states.

China is stepping up its lobbying efforts before a final vote by ministers on the issue by October 9.

Zhang Yuqing, director general of the department of treaty and law at the ministry of foreign trade and economic co-operation, said the EU should take into account the contribution China was making to Asia's economic stability by not devaluing its currency.

China's textile industry has been hit by Asia's crisis as competitors in other countries have benefited from currency depreciations. Textile officials expect no growth in exports this year, after a 22 per cent increase last year. Mr Zhang said that the Commission's proposals were irrational because the price of Chinese unbleached cotton exports to Europe had increased by 18 per cent over the last two years.

"We believe this is 100 per cent trade protectionism by the EU, motivated by some member states," said Mr Zhang. He noted that the UK, Germany and other countries opposed the anti-dumping duties, but that France, Italy, Greece, Spain and Portugal supported them.

"The 1930s depression was caused by protectionism," he added.

LDP close to deal on bank nationalisation

By Michiyo Nakamoto and Paul Abrahams in Tokyo

Japan's ruling Liberal Democratic party was last night poised to conclude a landmark deal with the opposition permitting the nationalisation of the country's troubled banks. High-ranking officials of the ruling LDP and opposition groups met late last night to discuss the last remaining issues over which the two sides have yet to agree.

The LDP was determined to reach a deal last night, to allow Keizo Obuchi, the prime minister, to produce evidence of concrete progress on banking reform measures when he meets Bill Clinton, the US president, next week. The LDP said late last night it was working towards a meeting of Mr Obuchi and Naoto Kan, leader of the main opposition party, the Democratic Party of Japan, before the end of the night.

The LDP's strong push for an agreement suggested it was ready to make further compromises in its negotiations with the opposition.

Political leaders on both sides yesterday indicated an agreement was imminent. Mr Kan said earlier in the day he expected an agreement based largely on the opposition's proposals, "within 24 to 48 hours".

Mr Obuchi added, "time is running out, so I will make a decision if a final judgment is needed".

LDP officials noted that resistance within the party to some elements of the opposition's proposals meant a political decision was needed from Mr Obuchi. However, it appeared the LDP leadership was willing to accept most opposition demands, most controversially the temporary nationalisation of ailing banks.

The need for a swift conclusion to the political impasse over banking reform was underlined by further dire economic data released yesterday. Problems in the private sector, which accounts for more than 60 per cent of Japan's gross domestic product, were illustrated by a 38 per cent year-on-year collapse in machine tool orders during August, and a 4.5 per cent decline in Tokyo department store sales. A flight from equities into bonds took the Nikkei 225 benchmark index to a 12-year low, down 2.4 per cent at 13,859. The yield of the 10-year 182nd benchmark bond closed at another record low from 0.755 per cent to 0.675 per cent.

An agreement on banking reform legislation would end weeks of anxiety and frustration about the Japanese government's dilatory response to the financial sector crisis. Dealing with the banks' problem loans is considered crucial to reviving the Japanese economy, and US officials in Tokyo emphasised the importance of acting swiftly on banking reform. "We... urge that effective banking reform legislation be enacted on an immediate basis," said Charlene Barshefsky, US trade representative, in Tokyo yesterday.

Uncertainty about the outcome of the political debate and the fate of the troubled Long Term Credit Bank of Japan, which hinges on a political agreement, sent its share prices lower yesterday, down Y3 at Y32.

A deal came within reach after the LDP agreed to opposition demands that weak banks, such as LTCB, should be temporarily nationalised and a Y13,000bn ($96bn) public fund already established for the recapitalisation of weak banks be abolished. However, late last night the LDP was still holding on to an alternative scheme that would offer weak banks the option of applying for an injection of public funds.

Opposition parties have refused to include such an option on the grounds that it would give the finance ministry discretion to determine which banks should receive public funds. "If we reach a political compromise that is ambiguous on this point, it will leave problems to be solved," Mr Kan said.

Another issue which remained to be resolved was the transfer of the finance ministry's power to decide financial sector policy to an independent body.

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HK sees jobless rate rise add to malaise

By Louise Lucas in Hong Kong

Unemployment in Hong Kong reached 5 per cent in the three months to August, matching the previous high in May 1983. Adding to the economic malaise in the territory, Hongkong Telecom announced salary cuts for all its 13,800 workforce.

The figures were released as the stock market, already down 35 per cent from the peak in August last year, slid further on the back of falls in Tokyo and jittery sentiment around the globe.

Share prices were boosted in August, when the government spent some US$14bn buying up bluechip stocks in a bid to eliminate speculators. The move helped bring some stability to the markets, but it also elicited much criticism – a further bout of which was doled out by Alan Greenspan, chairman of the US Federal Reserve.

Speaking at a special hearing of the House of Representatives' Banking Committee on Wednesday, Mr Greenspan said he doubted the move would be successful and would erode some of the credibility built up by Hong Kong's *de facto* central bank.

Greenspan: erode credibility

"Once you begin to veer off and do things which do not make any sense I think you lose a bit of credibility. I hope that was an isolated episode and indeed I have every reason to believe it was," he said.

Donald Tsang, Hong Kong's financial secretary, said he would write to Mr Greenspan to explain the rationale behind the intervention. "We do understand that from an idealistic position of a free market, what we did is probably rather exceptional," he said.

Yesterday Mr Tsang's share purchases looked smaller as well as exceptional. HSBC Holdings, the global banking group in which the government now has an 8.9 per cent stake, tumbled HK$6.50 to HK$141.50, its lowest level in two years.

Shares in HSBC, which comprises almost one third of Hong Kong's Hang Seng Index, have been heavily sold amid concerns about rising debts as the financial crisis continues to claim victims in Asia and, latterly, Latin America, where HSBC also has exposure.

In Hong Kong, HSBC's traditional base, the outlook remains bleak. The growing number of unemployed – which analysts forecast to hit 7 per cent by the year end – will also haunt banks, as home owners are no longer able to make mortgage repayments.

Traditionally, mortgage defaults in Hong Kong have been tiny, but this is expected to change as employees from construction workers and shop assistants to bankers and top management, lose their jobs.

Dong Tao, senior economist at CSFB, reckons that this year's climbing unemployment will be followed next year with a round of pay cuts like those announced by Hongkong Telecom. He estimates these will be around 10 to 15 per cent across the board, with employees in the worst-hit sectors of finance, trade and retail seeing a cut of up to 40 per cent in their salaries.

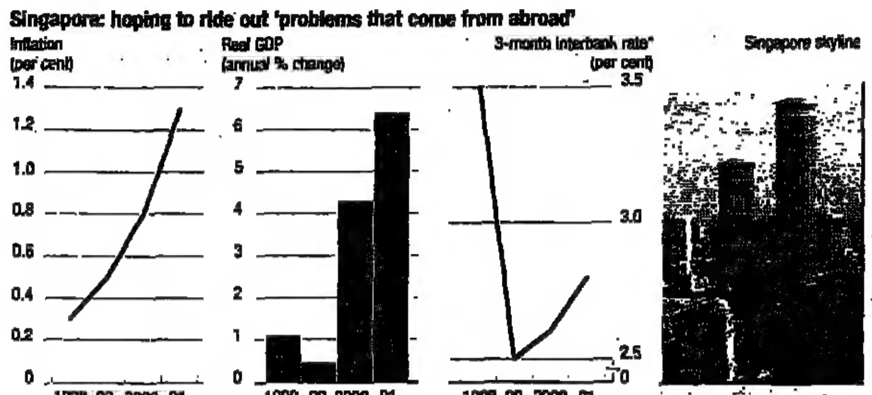
"We are getting to the other side of the hill (from rapid economic growth and continuously rising wages). Because Hong Kong salaries have increased so sharply it becomes somehow unjustified to support economic growth at a sustainable level," he said.

Hongkong Telecom pay cuts, Page 16

Singapore finds its dependence on neighbours uncomfortable

Sheila McNulty reports that Malaysian currency controls are hurting the city state

Singapore: hoping to ride out 'problems that come from abroad'



Source: SG Securities Research

When the Singaporean contingent marched out for the opening parade of the Commonwealth Games in Malaysia last week, the crowd booed. And when their athletes competed on the track, they were booed again.

As the east Asian financial crisis has deepened, Singapore's better managed economy has continued growing as rival Malaysia's swiftly moved into recession. Malaysians have focused their anger on Singapore's superior financial centre for taking away trade in Malaysian currency and stocks.

But Singapore is home to just 3m people and has long depended on its neighbours for growth. To the south, Indonesians are confronting economic, political and social chaos, so Singapore has looked increasingly to Malaysia to maintain its momentum.

But with Kuala Lumpur's introduction this month of comprehensive currency controls restricting foreign operations in Malaysia (and ending the trade in Malaysian currency and stocks in Singapore), the city state is now being hit by all sides. The impact on Singapore's economy could be enormous.

Singaporeans were already losing jobs as companies reported losses before the controls were imposed. Individuals were struggling to meet loan payments. Even the biggest corporations were offering steep discounts to activate demand.

"Singapore's *raison d'être* is to serve as the regional hub, switching flows of capital, labour, goods, services, telecommunications, tourists, information and so on," says Manu Bhaskaran, managing director of S.G. Securities in Singapore. "The longer term danger is that if Malaysia cuts off a good chunk of these flows – following Indonesia's economic collapse, which caused another major portion of such flows to dry up – then the threat of a dilution of Singapore's role as the regional hub arises."

And that cuts into potential growth for Singapore's economy. Mr Bhaskaran predicts growth of 1.1 per cent this year, down sharply from 7.8 per cent last year. And he expects the slowdown to worsen next year, with just 0.5 per cent growth.

Tan Sin Mui, head of Singapore research for Merrill Lynch, notes that Malaysia is Singapore's second largest trading partner. She estimates Singapore's foreign direct investment in Malaysia at S$12bn (US$7bn), nearly 10 per cent of gross domestic product.

Malaysians are believed to be the biggest source of visitors to Singapore. Singapore's far more efficient port handles much of Malaysia's imports and exports. And analysts say Singapore banks have about 10 per cent of their total assets in, or exposed to, Malaysia.

"Should the Malaysian economy stagnate or regress, this growth opportunity for Singapore banks, and its economy, is effectively shut," Ms Tan says. "What else is there left for Singapore, especially its banks, with the region in crisis?"

Singapore has, nevertheless, refused to undertake the interventionist methods of Malaysia to try propping up its deteriorating stock market and currency. Its attempts to ease the pain of Singaporeans have largely been confined to stimulus spending on infrastructure and attempts to make the property and port businesses more attractive.

It has also expended considerable effort liberalising its financial sector and eliminating inefficiencies. This has increased pressure on the sector now to widen the gap between potential regional competitors in the long run.

As the international financial community praises the city-state for such efforts, Singaporeans privately complain about the lack of direct intervention to ease their burdens. They say the dissatisfaction, in the largely uncritical society, was most evident last month by the fewer flags flown by Singaporeans outside their windows on National Day.

It was the day Goh Chok Tong, the prime minister, tried to explain to his people that there was little Singapore could do. "Our problems come from abroad, so we cannot solve them by changing domestic policies."

External demand accounts for 70 per cent of total demand for Singapore's goods and services. Mr Goh projects growth of between 0.5-1.5 per cent this year, noting the economy already slowed dramatically to 1.6 per cent in the second quarter, from 6.1 per cent in the first. And Singapore's competitiveness has been affected: its currency has held its value better than those of neighbouring countries, making Singapore's wages, costs and goods comparatively more expensive.

He insisted the government was doing what it could: instituting a stimulus package that would push the budget into deficit; encouraging businesses to cut costs and increase productivity; and improving Singapore's financial centre, and other growth prospects, for once the crisis has passed.

"I do think it's good that they are not trying any short-term populist measures," said Kate O'Donoghue, regional economist at Barclays Capital. "The Singapore government, at the moment, is doing a careful job of managing expectations." With an economy so dependent on its increasingly hostile neighbours, there is little else they can prudently do.

Flight ban fuels regional tension

By Sheila McNulty in Singapore

Malaysia has banned Singapore military and search-and-rescue aircraft from its air space from today, escalating tensions that have intensified in tandem with the east Asian financial crisis.

The announcement came a day after Lee Kuan Yew, Singapore's senior minister, formally unveiled his memoirs, provoking outrage across the border with unflattering references to Malaysians.

The rival neighbours attempted to work together when the crisis began, but Malaysians anger grew as the ringgit weakened with the outflow of funds from Kuala Lumpur in search of higher rates offered to ringgit deposits in Singapore. They also were upset by reports of short-selling of Malaysian shares in Singapore while the practice was banned in Kuala Lumpur.

The sweeping currency controls Malaysia imposed at the start of this month end both practices and, by targeting Singapore's all-important financial centre, have raised the stakes in the battle between them.

Malaysia's defence ministry said Singapore could seek permission to cross into its air-space on a case-by-case basis. Singapore's Defence Ministry said it had alternative arrangements to ensure operational effectiveness and its training would not be affected.

Malaysians insisted the move was not in response to Mr Lee's memoirs, although many are openly outraged by the book. Mr Lee accused members of Malaysia's ruling Umno party of helping to instigate the 1964 race riots in Singapore.

Jakarta acts to end oil and gas monopoly

By Sander Thoenes in Balikpapan, Indonesia

Indonesia's government is expected to submit a draft law to parliament to end the monopoly of Pertamina, the state-owned oil and gas company, and open up a big market for oil products to foreign investors.

The draft law, prepared by energy minister Kuntoro Mangkusubroto, would also turn Pertamina into a real company rather than a semi-ministry without ministerial responsibility by transfering production-sharing contracts with foreign oil producers from Pertamina to the government. Some subsidiaries would be privatised.

The draft law represents one of the more substantive economic reforms of the new government of President B.J. Habibie, who took office in May but has focused on political reforms and economic crisis management rather than structural changes. Although the economic downturn and a regional glut in refineries capacity would discourage an early influx of investment into downstream oil industries, several leading oil companies have long promised to set up shop if and when they could sell their own products to Indonesia's 200m people.

Oil executives who saw the draft said it would mark a break with three decades of tight state control over the oil and gas sector, the engine of Indonesia's development but also a feeding trough for corrupt officials. That is why some believe the draft law will face fierce opposition from Pertamina, government officials and the Suharto family which still dominates the oil industry. "It does all the right things," one oil executive said. "It makes so much sense I'm afraid it may not work."

It is unclear whether the draft submitted to parliament this month or next, and to be ratified by the end of the year, will be identical to the one written by Mr Kuntoro, but Mr Habibie has been keen to show he has broken with Suharto, his predecessor and long-time mentor.

Mr Habibie announced earlier this week that the attorney-general would start investigating the sources of Mr Suharto's wealth and has not objected to Mr Kuntoro cancelling several lucrative contracts between Pertamina and businesses controlled by Mr Suharto's children. But some analysts doubt whether Mr Habibie would welcome a thorough review of the pilfering of Pertamina's assets over the past 32 years, as the spoils were far from limited to Mr Suharto's family.

Muladi, the justice minister, yesterday said for the first time that Mr Suharto could face jail if found guilty of abuse of power.

Opposition calls Burma parliament

By Ted Bardacke in Bangkok

Leaders of Burma's opposition National League for Democracy (NLD) have risked near-certain arrest by forming a parliament based on the results of the country's 1990 election, which was ignored by the military junta.

With most of the MPs elected in 1990 arrested, including 196 since late May, or sent into exile, the 10-member NLD committee said yesterday that it had received proxies from enough MPs to act on behalf of the entire parliament.

The committee immediately proclaimed all laws introduced by the ruling military illegal unless ratified by the committee.

The prospect of an alternative or parallel government in Burma, backed by the legitimacy of a landslide win in 1990, could prove vexing for the international community if there is a move to recognise the new body at the UN or other multilateral forums.

Burma's junta has said anyone who tries to form a parallel government or convene parliament is subject to immediate arrest and that the NLD will be declared illegal. There have been recent calls in the government-sanctioned press to deport NLD leader Aung San Suu Kyi for her political manoeuvres.

"I think things will come to a head now. They'll probably just detain everyone or put Suu Kyi back under house arrest," said a Rangoon-based businessman familiar with the thinking of the junta.

Drugs rumpus stirs up Australian campaign

By Russell Baker in Sydney

The Australian election campaign took a number of bizarre and embarrassing twists yesterday when John Howard, the prime minister, was seemingly accused of being responsible for the deaths of drug addicts, and the price of heroin was linked with the federal government's proposed goods and services tax (GST).

The ABC, the national broadcaster, incurred Mr Howard's wrath after radio presenter Verity James asked him if the price of heroin would fall under a GST.

Earlier in the day Senator Nick Bolkus, the opposition Labor party's justice spokesman, had said that Mr Howard's cuts in funding to drug law enforcement and monitoring had led to young people taking fatal heroin overdoses.

In a media release headed "John Howard's Drug Legacy – 60 dead in Perth alone" Senator Bolkus also claimed that the price of a cap of heroin during the government's time in office had dropped from A$40 to as little as A$5 (US$3) – making it "cheaper than a packet of cigarettes".

ABC presenter Ms James misread some briefing material relating to Senator Bolkus' statement and asked Mr Howard about the impact of the GST, saying there had been reports that heroin would be cheaper under his tax reforms. Mr Howard, who earlier in his radio interview had accused the ABC of biased and unbalanced election coverage, responded: "You raised something about heroin and the GST. What are you getting at? The whole idea of suggesting that the GST is in some way tied up with heroin should not be left hanging up in the air."

Ms James promised to clarify her question later in the interview, but it ended abruptly when the ABC went to its local morning news. Mr Howard later told reporters that "the suggestion that in some way the GST is linked to heroin is about the most bizarre thing

'I want an apology from the ABC... and I expect to get it'

I've heard. I want an apology from the ABC without qualification and I expect to get it."

He did. Ms James made an on-air apology and Brian Johns, ABC managing director, said the clash between Mr Howard and Ms James was a "regrettable incident".

Senator Bolkus was also later forced to say that he regretted that his media statement had been interpreted as personally blaming Mr Howard for the heroin overdose deaths. The senator had claimed that the government's law enforcement funding cuts had left 60 young people dead from heroin overdoses in Perth last year because heroin had now become cheaper than cigarettes. "John Howard has put the lives of Australian young people at risk through two years of neglect of commonwealth law enforcement," Senator Bolkus said in his statement.

But talking to journalists later he said: "I don't accuse John Howard of being personally responsible for the deaths of people on our streets – I wouldn't do that."

Senator Bolkus said: "What I do charge him with, what I find him guilty of, is a dereliction of duty in terms of meeting his responsibility to the Australian Federal Police and Customs and National Crime Authority."

Senator Bolkus ended his press conference abruptly by taking refuge in the toilet of a restaurant. Mr Howard described Senator Bolkus' comments as a "pretty cheap, tawdry guttersnipe attack".

During his interview with Ms James the prime minister said the Liberal-National party coalition had a very strong commitment to continue funding the ABC but in return the ABC had an obligation to be objective during election campaigns. "It doesn't always do so... the ABC's coverage of this election campaign has not been balanced," he said.

Meanwhile, Labor pledged an extra A$100m for the ABC if it wins the October 3 election. About A$12.5m would be directed to Radio Australia for the reopening of the Cox Peninsula transmission facility near Darwin and additional programming.

Senator Chris Schacht, Labor communications spokesman, said: "We want Radio Australia restored to what it was before these maniacs destroyed it 18 months ago."

their future ... ment in government bonds. seen profitability badly hit $140n.

US bank's entry offsets jobs gloom

By Brian Groom in London and Andrew Parker in Cardiff

Banc One Corporation, the US bank, yesterday announced plans to begin marketing credit cards in the UK by the end of the year, and create 1,000 jobs in Cardiff, the chief city of Wales.

The bank will trade in Britain under the name Bank One International, and is to market Visa and MasterCard credit cards. The cards will be issued by First National Bank of Chicago, which is to merge with Banc One in October. The capital investment is thought to be worth £50m ($82.5m).

Patrick Blewett, president of Bank One International, said Cardiff offered the best combination of high quality workforce, quality of life and infrastructure. Ron Davies, chief minister for Wales in the UK government, said: "Wales is becoming a leading player in the financial services industry." The government has given regional selective assistance, and South Glamorgan training and enterprise council will provide training.

The Banc One announcement came on the day that Vickers, the defence group, deepened gloom in northern England by saying it would cut 1,136 jobs and close its Leeds tank factory.

The UK labour market, however, may be approaching a turning point, even though the number of people claiming unemployment benefit has fallen to an 18-year low. Business Strategies, the economic forecaster, said the jobless total could grow by 250,000 by mid-2000 – "a slowdown, not a recession". Ministers are braced for the possibility that up to 500,000 jobs could go.

Companies have also been making clear during the autumn financial reporting season that they expect tougher trading conditions in the months ahead. Trinity Holdings, the regional newspaper publisher, and John Lewis Partnership, the stores group, were the latest to make such statements yesterday.

Evidence of how unbalanced the UK economy has become is seen in the fact that even amid redundancies, skill shortages persist in sectors such as information technology, hotels and catering, and the health service.

Wales may get more good news next week. Government officials are confident that International Rectifier, a US power transistor manufacturer, will announce plans to create up to 500 jobs in Swansea. The company said it was close to agreeing terms. Wales's joy brought little comfort to northern England, which was rejected by Banc One, along with Dublin and other European sites, for its investment.

Vickers yesterday announced it was closing its Leeds plant and transferring production of the Challenger 2 battle tank to Newcastle upon Tyne. Vickers blamed the closure on a slowdown of work on the Challenger 2 as the British Army's order for 386 tanks comes to an end.

See Lex in Companies & Finance, UK

TRADES UNION CONGRESS VIEWS ON BENEFITS OF EU SOCIAL CHAPTER COINCIDE

Union power to be limited and 'modern'

By Robert Taylor in Blackpool

Speaking at the annual Trades Union Congress, John Monks, the organisation's modernising general secretary, described the TUC's relationship with the Labour government as based on "grown-up politics", that is, "not always smooth but based on trust and mutual respect".

Yesterday, Peter Mandelson, the chief trade and industry minister, told the TUC the government would "never again contract out the governance of the UK" to the unions, any more than it would to corporate interests. But he welcomed the "legitimate influence" of "modern" trade unions.

The TUC has been helped by the European Commission. New regulations will bring a quiet workplace revolution to the UK over the next 15 months and take its industrial relations system closer to European social market models.

The commission has inspired the introduction of parental leave, paid holidays, restrictions on working hours, rights for part-time workers, works councils for Europe-wide companies, and protection for employees after mass redundancies.

But the government has made them law by signing the social chapter and is honouring its pledges to introduce a national minimum wage and legislate on recognition rights. The two sides have found common ground for practical action on skills training, health and safety and the welfare to work programme for the long-term unemployed.

But the TUC would like to develop a close relationship with the government and the Bank of England over economic policy. Union leaders have talked of recession throughout the annual conference, blaming high interest rates and the strong pound for job losses.

The TUC leadership wants to develop a credible agenda that can influence the economic policymakers, and Mr Monks is moving the TUC back into this crucial area.

Mr Monks believes pay rises running ahead of productivity improvements, is the central problem, exacerbated by by localised, decentralised labour markets. He feels that the 1980s supply-side labour market reforms based on deregulation and Labour's emphasis on skills and training have done little to solve this difficulty.

But the TUC hopes to learn how centralised social partnership agreements between governments, unions and employers can work. Mr Monks believes pressures from mainland Europe, particularly with the arrival of economic and monetary union, will support it in its agenda.

Many union officials remain sceptical but they are unlikely to divert Mr Monks from his grand design of using the TUC to help turn the UK into a social market economy like its European counterparts.

● Retail spending during August showed "surprising" growth in spite of earlier surveys suggesting a decline in consumer sales, Our Economics Staff write. The Office for National Statistics said retail sales volumes grew by 0.4 per cent last month, stronger than many City forecasters had expected after earlier gloomy surveys from the Confederation of British Industry and the British Retail Consortium. Most independent forecasters had expected growth to be just 0.1 per cent.

The annual growth in retail sales fell back to 2.9 per cent, compared with July's growth of 3.1 per cent, which was revised up from earlier estimates by 0.1 percentage point. "These data once again suggest that fears of a consumer-led recession are overdone," said Richard Iley, UK economist at ABN Amro bank.

See Editorial Comment

Minister gives tough warning over need to back government reforms

Peter Mandelson, chief minister for trade and industry, warned trade unions yesterday of pressures to weaken the package of workers' rights proposed in the government's Fairness at Work policy paper, **David Wighton writes.**

Mr Mandelson promised the Trades Union Congress that he would argue for them and work for legislation that was "seen by all as fair and balanced". But they were "controversial changes" for which a case still had to be made, particularly in view of the growing pressures on British businesses.

The comments by Mr Mandelson, (right, on the conference platform) will fuel union fears that elements of the paper could be diluted in the face of strong criticism from business. The Confederation of British Industry, the UK's employers' organisation, has expressed alarm at some measures, including removal of the cap on compensation for unfair dismissal.

Mr Mandelson's somewhat ambiguous comments reflected the general tone of his speech to the TUC conference, in which he professed himself a strong believer in trade unions but was uncompromising in his calls for further modernisation.

He warned the unions that they would have to co-operate with the Labour government's reform programme if they wanted to retain a voice in government decision-making. "The choice is yours – opposition or legitimate influence," he said. Picture: Reuters

Accounting regulator may form model for professions

By Jim Kelly, Accountancy Correspondent

The government yesterday proposed a single new self-regulatory regime for 200,000 accountants and signalled that it could become the blueprint for a regulator covering many professions.

The announcement from Peter Mandelson, chief trade and industry minister, meets one of the governing Labour party's election promises to improve regulation after widespread criticism of existing controls as "chaps regulating chaps".

The proposals are based on an outline put forward by the UK accountancy profession's six bodies, based on successful US practice. But the government has added extra safeguards to protect the public interest and clients. "The proposals I am announcing today will ensure transparent and robustly independent regulation to be delivered in partnership with the profession," said Mr Mandelson.

The government is to monitor closely the progress of the scheme, the first non-statutory regulatory regime put forward by Labour. It will consider expanding the scheme to include other professionals.

"Frankly this is good for the future – it demonstrates that the government believes a profession can think responsibly for itself about the public interest," said Chris Swinson, president of the Institute of Chartered Accountants in England and Wales.

Mr Mandelson also published a long-awaited draft law which offers all regulated professionals the chance to form limited liability partnerships (LLPs) so they can protect their personal assets from litigation.

The new LLPs – which are likely to include several of the UK's Big Five accountancy firms – will have to publish annual accounts in the style of listed companies and follow similar rules to companies when compensating creditors if they become insolvent.

The move follows threats from some of the Big Five accountancy firms that they would register offshore as LLPs under new legislation now available in the US, the Isle of Man – between England and Ireland – and Jersey, the largest of the Channel Islands between England and France.

Lloyd's unit to cut jobs by 30%

By Jim Kelly in London

The Lloyd's of London insurance market is to cut 300 of the 1,000 jobs at its insurance services business unit and reduce costs by £10m ($16.3m) a year, Ron Sandler, chief executive, announced yesterday.

The measures follow a review by PwC, the professional services group, which worked with senior members of the Corporation of Lloyd's.

"The reduction in the number of jobs will arise from redeployment, normal staff turnover and, regrettably, some redundancies," said Mr Sandler.

"We are committed to improving efficiency and reducing costs across the corporation and its business." He said the changes to the insurance services unit would be completed by the end of next year."

The unit, one of five at Lloyd's, comprises most of the information technology-based activities and accounting, policy processing and claims handling services.

The biggest parts of the unit are the Lloyd's Policy Signing Office in Chatham and the Lloyd's Claims Office in London. Overall the corporation, which is the main service provider to the Lloyd's market, employs 2,000 people.

The business unit is seen as the most commercial division and the cost-cutting reflects radical restructuring and competition in the international insurance sector. There is also expected to be a reduction in claims handling and other processing services provided by the unit to Equitas – the re-insurance company.

Equitas was formed to reinsure the market's 1992 and prior year liabilities as part of the reconstruction of Lloyd's. It will increasingly handle claims itself.

'Fallout' plan urged for euro risk

By George Graham, Banking Editor

Leading investment banks and securities clearing houses have asked for central banks and regulators to set out contingency plans for dealing with the fallout if a big bank or financial institution fails to convert all its systems to the euro at the end of this year.

Banks expect to face a hectic long weekend to redenominate their securities portfolios and to adjust their computer systems in time to start trading in the euro on January 4.

They have asked the European Commission and the European Central Bank to make clear who is responsible for handling any big problems that arise in this short period.

In a letter to John Mogg, director general of financial services at the European Commission, the securities industry group has asked for each central bank to publish its plans for taking swift action in the event of a substantial failure, as well as a list of contact names and numbers over the conversion weekend.

"Our concern arises as a result of the very real possibility that major firms or institutions may not be able to complete all required conversion work in the limited time available," said the Securities Industry Emu group.

The group includes trading banks such as J.P.Morgan and Merrill Lynch, as well as large custodians such as Northern Trust and the international securities clearing houses Euroclear and Cedel. The Bank of England, the UK central bank, said yesterday in the latest edition of its quarterly publication on practical issues relating to the euro that it would be important for central banks and regulators to communicate quickly with each other over the conversion weekend, and it would be sensible to establish a contact list.

John Townend, deputy director for market operations at the Bank, who will take over as director for Europe next year, thought it was "highly unlikely" that something would go so badly wrong as to prevent the start of trading in euros on January 4.

However, he said, "we cannot completely rule out the possibility of a large player getting into difficulties in its conversion processes."

The Bank's survey of 36 financial institutions found that all remained confident that they would be able to manage the euro conversion process successfully.

Some banks said they planned to scale back trading activity at the end of the year to reduce their settlement workload, but it is not yet clear what effect this might have on overall trading volumes.

The Bank urged financial institutions to send standard settlement instructions detailing where they wanted to receive euro payments to their trading partners by September 30. Few banks have yet done so, raising the possibility of confusion and delays in payments reaching their destination.

UK institution carries its royal cachet to US quality assessment market

The world's oldest standard-making body balances tradition with new strategy to attain global status, says **Andrew Baxter**

Keith Tozzi, chief executive of the British Standards Institution, has moved fast since accepting the job 20 months ago to push through a new business strategy aimed at putting the organisation on a par with its global competitors. BSI, which has been expanding in the US this year, was founded in 1901 and is the world's oldest standard-making body.

Mr Tozzi, a 49-year-old civil engineer, has the difficult job of maintaining BSI's traditional standards-making side, which covers a wide range of products and processes, without using it to gain an unfair advantage on its commercial activities. These range from assessing companies' quality and environmental management systems to product testing, product certification via the BSI Kitemark and the European CE Mark, and training.

BSI's competitors in these sectors lack this dual role. And they do not have a Royal Charter, either, which, Mr Tozzi admits, has a cachet that creates a competitive advantage.

It costs about £25m ($41m) a year to keep the standards-writing process going, says Mr Tozzi, and the service "just about washes its face", helped by a £3m grant from the UK government and revenue from the sale of standards. But the DTI grant will continue to fall, obliging BSI to broaden its commercial activities so it can safeguard the standards-making side.

Unfortunately, however, BSI's commercial competitors were two-and-a-half to three times bigger than the UK organisation when Mr Tozzi began a strategic review last year. "This gives them a commercial advantage in terms of costs and pricing," he says. Competitors also had better global coverage, increasingly important as big international companies prefer to buy all their global quality services from one supplier.

Keith Tozzi: China and Japan are "real potential growth prospects" Eyecatchers

Last September, Mr Tozzi went to the board with a four-point strategic plan – to increase annual revenues from £100m to £300m in three to five years; to find a way to develop a bigger global network; to strengthen its position in the US and Far East; and to expand the UK testing business.

BSI has already achieved one of these aims – a better global network. In April, it announced the £36.5m takeover of Inspectorate, a UK-based inspection and testing company with 170 locations in 90 countries and a well-known name in the petrochemicals, metals and minerals markets.

The next target is the US, where demand for services such as the ISO9000 quality management assessment is growing at 40 per cent a year. Industrial customers rarely switch their quality assessment suppliers, however, so Mr Tozzi says: "You have to be in there growing at the same rate as the market, otherwise it would take you 20 years to win back business from the competition".

Quietly, BSI has expanded in north America this summer, moving to bigger headquarters in Virginia and acquiring the Center for Energy and Environmental Management (CEEM), which provides management system training. Further US investments will be made, says Mr Tozzi.

Elsewhere, Mr Tozzi hopes BSI can expand quickly by making acquisitions in the UK testing market. China and Japan are "real potential growth prospects", he says, and that is irrespective of the current Asian economic crisis – because the need for quality assessment is export-driven.

None of this has been possible without a change earlier this year to the Royal Charter, enabling the organisation to borrow money and make acquisitions. Further acquisitions are likely – as organic growth alone would not achieve strategic targets fast enough, Mr Tozzi says.

Having roughly doubled the organisation's size during the past year, Mr Tozzi says the goal is to get on level terms with the competition – organisations such as BBQI of France and Switzerland's Société Générale de Surveillance – during the next 12-18 months. But, he says, the board will have to decide within the next six months how to fund the growth long-term.

He is confident that, with the right organisational structure, BSI will not get an unfair advantage from its standards-making side. "We've agreed ... to ring-fence it completely," he says. "We can inject money into it, but there is no route out for surplus funds into the commercial side." Besides, he says, as most of BSI's new standards are written for European Union or international use, "it is a fallacy to think we are writing them for ourselves".

NEWS DIGEST

EUROPEAN SOCCER SUPER LEAGUE

Clubs to be told likely revenues 'overestimated'

The UK's Premier League soccer clubs will be told by a firm of independent sports media consultants today that the Italian marketing company behind the proposed breakaway European super league has overestimated the competition's likely revenues by almost 100 per cent. A report from Oliver & Ohlbaum will suggest that the super league is likely to generate just over £650m ($1.07bn) a year in television and sponsorship revenue, and not the £1.2bn promised by Media Partners, the Milan-based firm behind the breakaway competition.

When Media Partners presented its super league plan to all 20 Premiership clubs for the first time two weeks ago, many of the club chairmen present were said to have found the revenue estimates provided by the firm "unconvincing".

Oliver & Ohlbaum's estimate of super league revenues is well below the figure predicted by Media Partners because the consultancy believes the Italian firm is over-optimistic about how quickly pay-per-view TV will become established throughout Europe and about the likely revenues from pay-TV. **Patrick Harverson, London**

AIRLINE CHIEF'S $16M SCHEME

Chain of cybercafés proposed

Stelios Haji-Ioannou, chairman of EasyJet, the low-cost airline, plans to launch a chain of 24-hour cybercafés in London. He intends to sell quality coffee, modelled on the US Starbucks chain, alongside the screens.

The Greek shipping magnate's son who revels in challenging the dominance of the big airlines, said he aimed to open the first of at least 20 cafés in the UK capital within six months to a year. He said he was prepared to invest up to £10m ($16.5m) of his family's wealth in the venture, registered as EasyCafé, and expected it to become profitable in about three years. Industry insiders said Mr Haji-Ioannou may be too late with the idea. Roy Bliss, managing director of Demon Internet, the service provider, said internet cafés were a thing of the past and other services – such as internet access for business travellers – would be more fruitful. **Alison Maitland, London**

EDUCATION

Minister attacks 'elite' exam

A government minister yesterday unleashed an assault on the traditional A-level examination as a university entrance qualification, dismissing it as "wrong", elitist and designed "for a world which no longer exists". In a speech to university vice chancellors, Baroness Blackstone, the higher education minister, said the "gold standard" qualification was too narrowly specialised and had become a stumbling block to the government's drive to widen access to higher education. She called on universities to reform their admissions policies, warning that they could be missing "potentially brilliant" students by laying down long established and inflexible entry requirements. Baroness Blackstone, former master of Birkbeck College, London University, said the traditional post-16 curriculum was designed for a "world in which higher education was the preserve of a highly specialised elite". But with a third of young people going to university, and with employers demanding students with a "far wider range of skills than those of 10 years ago, never mind 40", she said the A-level qualification must change. **Simon Targett, London**

VENTURER OF THE YEAR AWARD

Award for roof entrepreneur

John Lancaster, founder of conservatory roofing company Ultraframe, was yesterday declared overall winner of the Venturer of the Year award, sponsored by the jewellers Cartier, the Financial Times and the British Venture Capital Association. Ultraframe, started in 1983, attracted £4m ($6.6m) from venture capital group 3i in 1995 and reached the stock market last October with a market capitalisation of £136m. The award recognises contribution to employment and the economy in general, innovation, soundness of financial performance, return to venture capital backers and overall consistency. The scientific research based company award is shared by Dermott Simpson, executive chairman of Belfast-based BCO Technologies, and its founder Scott Blackstone. Neil Heywood, managing director of Quadstone, a Scottish software company, won the small start-up category. The large start-up winner was David Proctor of Xpedite Systems, a fax and e-mail distribution service. **Katharine Campbell, London**

MARKETING RETAILING ON THE WEB

A grab for impulse shoppers

How do you get online shoppers to buy what they didn't know they needed? asks **Alison Smith**

Begin a search on the internet for any subject – from aardvarks to Zwingli, a 16th-century religious reformer – and you are quite likely to see an onscreen advertisement from Amazon.com. The ad means you are only one move away from browsing through the books the online store carries on your chosen topic.

Amazon reached the agreement to show these ads with five of the six most used web aggregators or portals, including Alta Vista and Yahoo!, slightly more than a year ago. The almost seamless shift from searching to buying is one of the most striking examples of how the internet can be used to draw people into making impulse purchases.

"You can go from an information-seeking experience to a shopping experience with one click," says Brian Cauley, president of APL Digital, part of advertising network Ammirati Puris Lintas.

Encouraging people to buy items they had not intended to buy is an art that high street retailers have honed during many years.

Eye-catching displays, juxtaposition of complementary items, and tempting shows of treats such as chocolates and magazines near supermarket checkouts are common practice in conventional stores. Online retailers, however, are only just beginning to think of ways of stimulating unplanned demand.

"If I go round a supermarket, my trolley includes special offers, but if I do my shopping on the web I stick pretty much to the same list of items," says Keith Wills, European retail analyst at Goldman Sachs.

"One of the dangers for retailers is that people end up with a utilitarian set of purchases online, and visit a real-world supermarket for fresh and added value produce.

"If the online shopping basket goes back to basics then retailers lose margin gains."

Ease of purchase is perhaps the most important way for both internet and conventional stores to encourage impulse buying, says Mr Wills.

"After buying a football shirt, does the customer have to scroll through a dozen screens to get the matching shorts and socks? What about quick access to the checkout? Just as in a store, the customer will not want to search through countless options but rather be guided to a handful of products that suit their taste and budget."

Online purchasing clearly has its drawbacks: shopping on the screen cannot replicate the sight, smell and feel of being surrounded by potential purchases. Grocery shopping may also be affected by the absence of pester power: there may not, for instance, be any children around trying to influence your choice.

The sense of having performed a chore that deserves a treat will be less marked when shopping is more convenient. "The web is never going to be able to satisfy the urge for that kind of immediate, low-price indulgence," says Mr Cauley.

But in other respects, online retailing may be better suited to encouraging unplanned buying than high street stores are. One advantage is flexibility, says Eric Salama, director of strategy at marketing services group WPP, which is involved in Peapod, a US online grocery service.

"You can design the store you want without being constrained by the physical surroundings. By creating, say, an aisle of Christmas purchases or Easter eggs and related goods, you can use events to stimulate buying."

It is also possible to address consumers online in a more sophisticated way. David Risher, Amazon's senior vice-president of marketing product development, says the company is still refining the linkages that can be made. For example, someone buying a book for a baby can be informed about CDs of lullabies.

Being able to build up a detailed picture of each customer means that online retailers can accurately target their offers. "Instead of a kid tugging your sleeve to buy ice cream or breakfast cereal, the website can tug your sleeve and say: 'Are you sure you don't want one of these? You usually buy them,'" says Mr Salama.

"The internet retailer can track you over a longer period of time and come back to you with an offer targeted at your known preferences at some later date," says Mr Wills. "The high street retailer can't come back to you in the same way."

At present, however, many retailing websites may be failing to capitalise on their potential advantages, producing a functional environment rather than an enjoyable experience. But this seems likely to change as technology improves and the size of the market grows.

"It is early days at the moment, but the internet allows you to adapt what you're doing in response to your audience," says Mark Wilson, of marketing consultancy Bamber Forsyth.

"Provided retailers are listening to their customers, they can learn and change their sites in just a few months."

'You can design the store you want without being constrained by the physical surroundings'

MY SECRET WEAPON STELIOS HAJI-IOANNOU

No frills and lots of feedback

Stelios Haji-Ioannou is chairman of EasyJet, the low-cost, no-frills airline he launched in 1995 with financial help from his Greek shipping tycoon father. Aged 31, he is no stranger to court battles, most notably with British Airways over Go, its new cheap-fare service. After studying at the London School of Economics and City University Business School, he joined his father's company, then set up his own shipping line, Stelmar Tankers, in 1992. He caught the airline bug after meeting Richard Branson, the Virgin founder, and modelled his company on Southwest Airlines of the US. He shuttles between EasyJet headquarters at Luton airport near London, his residence in Monaco and his birthplace of Athens.

Keeping in touch with the customer is crucial. Three or four times a week religiously I fly EasyJet just to talk to people. I always introduce myself during the flight. I never sit in the cockpit or in the front row and drink champagne, which is available but costs £8 ($13.20).

It's probably the high point in owning an airline. People are quite appreciative. They actually thank me for making travel affordable. I've received a number of letters saying: 'You've saved my love life, you made it more affordable for me to go and see my other half.'

It's a bit of an ego-boosting exercise but it confirms the concept works. It's the ultimate consumer research. If I am on a delayed flight, and unfortunately it does happen, I'm there taking all the flak. I'm there for the good times as well as the bad times. The important thing is you get feedback. I've yet to meet a person who says: 'What a pity there isn't a meal on this flight.'

I see it also as a great marketing exercise. People feel safer if I'm on board. They believe that someone cares about their problems. It's not a faceless company that will let them down. If all else fails, they can always call the owner.

I'm not sure I'm a natural showman. Deep down I'm a private person, perhaps a bit shy. You learn how not to be shy. I've developed a routine. I have half a dozen small-talk subjects and I've perfected the dialogue. I felt very nervous the first day I did it, the day I started the airline, on board the flight to Glasgow. Now for me it is the most useful and pleasant way of spending a flight.

I lead by example. People will do things if they see their boss doing exactly the same. If people see the boss talking to customers . . . they can't duck out.

The best way to keep a team motivated is to convince them they're always under attack, always on a warpath. Having an external enemy is the best way of focusing their minds on results rather than fighting each other, or becoming complacent. Our war meetings are done standing up – there's no better way of signifying urgency, for example when British Airways launched a route to Edinburgh. It's a great way of quickly exchanging information.


Mr Haji-Ioannou: war meetings

I'm a great believer in openness. I'm keen that every piece of information is available to everybody in the company. There are no secrets in the company. Every time I'm engaged in salary negotiations I realise that the individual is aware of everybody else's salary. There's more to be gained by sometimes having too much available rather than trying to restrict what's available.

We are a young company employing a lot of young people and most of them feel more comfortable in casual dress. The only people who should wear a tie because it looks better are the pilots. Although we're very innovative in certain things, we consider certain things as being sacrosanct.

A lot of my thinking is reactionary – I know how not to do things. My desire to run paperless offices comes from frustration when I was running my father's company when everybody was holding on to information as a way of holding on to jobs. There were seven floors and a floor manager for every floor who was the king of that floor.

A lot of the informality, the ideas, I got from Branson. I'm always with the underdog. I'm an underdog in the airline industry. The fact that I make air travel affordable to more people is one of the things that gives me pleasure. Business executives who travel British Airways Club Class don't need my help. But opening it up to other people, you feel what you do is more worthwhile. I don't think I'll ever start a luxury brand. Providing value for money for the masses is where I'll continue to expand in the future.

Alison Maitland

LEGAL NOTICES

1998 No. 194 COS

THE HIGH COURT

IN THE MATTER OF: AXA COLONIA INSURANCE (IRELAND) PLC NORDSTERN REINSURANCE (DUBLIN) PLC
- and -
IN THE MATTER OF: THE COMPANIES ACT, 1963 TO 1990 and THE EUROPEAN COMMUNITIES (MERGERS AND DIVISIONS OF COMPANIES) REGULATIONS, 1987

NOTICE IS HEREBY GIVEN that on the 9th day of September 1998 at a hearing of the High Court in Dublin Mr. Justice Quirke directed that the Petition presented herein on the 2nd day of September 1998 by AXA Colonia Insurance (Ireland) Plc ("AXA Colonia") and Nordstern Reinsurance (Dublin) Plc ("Nordstern") for an order confirming the merger as set out in the draft terms of merger, whereby AXA Colonia proposes to acquire all the assets and liabilities of Nordstern in exchange for the issue of shares in AXA Colonia to the shareholders of Nordstern, shall be heard on Tuesday the 6th day of October 1998 at the High Court sitting at the Four Courts, Dublin 7 at 11 o'clock in the forenoon or at the first opportunity thereafter (and in such Court as the matter shall be listed.

Take notice that any creditor of either company is entitled to appear or be represented at the said hearing on the 6th day of October 1998 and to make such representations as such creditor thinks fit.

DATED this 18th day of September 1998

Arthur Cox
Solicitors for AXA Colonia Insurance (Ireland) Plc and Nordstern Reinsurance (Dublin) Plc
Earlsfort Centre
Earlsfort Terrace
Dublin 2

No: 004469 of 1998
In the High Court of Justice
Chancery Division Companies Court
In the Matter of
FERGUSON INTERNATIONAL PLC
and in the Matter of the
Companies Act 1985

NOTICE IS HEREBY GIVEN that a Petition was on 5 August 1998 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the share premium account of the above-named Company amounting to £17,104,000.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 7th day of October 1998.
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.
Dated the 8th day of September 1998.
LINKLATERS & PAINES (DTL)
One Silk Street, London EC2Y 8HQ
Solicitors for the above-named Company.

No. 004863 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF TSB LIFE LIMITED
- and -
IN THE MATTER OF TSB PENSIONS LIMITED
- and -
IN THE MATTER OF LLOYDS TSB LIFE ASSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on 26 August 1998 presented to Her Majesty's High Court of Justice in England by TSB Life Limited ("TSB Life") and TSB Pensions Limited ("TSB Pensions") for an order under Part I of Schedule 2C to the Insurance Companies Act 1982 (as amended) ("the Act") sanctioning a scheme ("the Scheme") for the transfer to Lloyds TSB Life Assurance Company Limited ("Lloyds TSB Life") of the whole of the long term insurance business carried on by TSB Life and TSB Pensions in the United Kingdom and making provision for related matters in accordance with paragraph 5 of the said Part I.

Copies of the Petition and of a report on the terms of the Scheme by an independent actuary, as required by paragraph 2(1) of the said Part I, may be inspected at each of the offices specified in the Schedule hereto during usual business hours for a period of at least 21 days beginning with the date of the first publication of this notice.

The Petition is directed to be heard before a Judge at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday, 30 November 1998 and any person, including an employee of TSB Life, TSB Pensions or Lloyds TSB Life, who alleges that he would be adversely affected by the carrying out of the Scheme may appear at the hearing in person or by Counsel or solicitor advocate. Any person who intends so to appear, and any policyholder of TSB Life, TSB Pensions or Lloyds TSB Life who dissents from the Scheme but does not intend so to appear, should give notice in writing of such intention or dissent, and the reasons therefore, to the solicitors named below not less than two clear days prior to the hearing.

Copies of the documents specified above will be supplied by such solicitors to any person requiring them before the making of an order sanctioning the Scheme on payment of the appropriate charge.

18 September 1998

Linklaters & Paines (Ref: SNHB/MC).
One Silk Street, London EC2Y 8HQ
Solicitors for TSB Life, TSB Pensions and Lloyds TSB Life

The Schedule

TSB Life Limited and TSB Pensions Limited
Charlton Place
Andover
Hampshire SP10 1RE

Lloyds TSB Life Assurance Company Limited
71 Lombard Street
London EC3P 3BS

Austria
Friedrich Rodler
GRT PricewaterhouseCoopers
Prinz-Eugen-Strasse 72
A-1040 Vienna

Belgium
Raf Vander Stichele
PricewaterhouseCoopers
Woluwedal 30
B-1932 Sint-Stevens-Woluwe
Brussels

Denmark
Lars Holtug
PricewaterhouseCoopers
Taborg Boulevard 1
DK-2900 Hellerup

Finland
Hannele Selesvuo
PricewaterhouseCoopers
Vattuniemenranta 2
FIN-00210 Helsinki

France
Gerard Dantheny
BEFEC-PricewaterhouseCoopers
Tour AIG
34 place des Corolles
92908 Paris-La Défense 2

Germany
Werner Hölzl
PricewaterhouseCoopers
Arnulfstrasse 25
D-80335 Munchen

Gibraltar
Ian Angus
PricewaterhouseCoopers
ICC Building
Casemates Square

Greece
Richard Caseley
PricewaterhouseCoopers
Europa Plaza, 5th Floor
330 El Venizelou (Thiseous) Avenue
GR-176 75 Kallithea
Athens

Iceland
Reynir Vignir
PricewaterhouseCoopers Hagvangur hf
Hofdabakki 9
112 Reykjavik

Republic of Ireland
Chand Kohli
PricewaterhouseCoopers
Gardner House
Wilton Place
Dublin 2

Italy
Adriano Carena
PricewaterhouseCoopers
Corso Europa, 2
20122 Milan

Liechtenstein
Reto Silvani
PricewaterhouseCoopers
Pflugstrasse 20
9490 Vaduz

Luxembourg
Ian Whitecourt
PricewaterhouseCoopers
24-26 Avenue de la Liberté
L-1930 Luxembourg

Netherlands
Fred Gertsen
PricewaterhouseCoopers Nederland
Lane Voorhout 7
2514 EA The Hague

Norway
Ole Henrik Loland
PricewaterhouseCoopers
Holbergsgt 21
0166 Oslo

Portugal
Ricardo Pinheiro
PricewaterhouseCoopers
Avenida da Liberdade 245-7
1250 Lisbon

Spain
Antonio Delgado
PricewaterhouseCoopers
Edifici Caja de Madrid
Avinguda Diagonal
640 7a planta
08017 Barcelona

Sweden
Ulla-Britt Nordin
PricewaterhouseCoopers
Kungsgatan 18
SE-111 35 Stockholm

ment in government bonds. seen profitability ...

frills and lots
eedback

Alison Marlow

ARCHITECTURE

DC suffers from heart failure

Gillian Darley thinks the Ronald Reagan Building in Washington, despite its pretensions, is really just another mall

Washington's newest government edifice, the Ronald Reagan Building, offers a wry metaphor in these troubled weeks of the US presidency. Offering architecture born of indecision and poor judgment, the final piece of the Federal Triangle faces several directions at once.

The piecing together of central Washington DC has been a long project. Beginning with the intellectual clarity of Pierre L'Enfant's 1791 plan for the new federal capital, the key characteristics of which remain the focal points of the modern city, the 20th century has seen a stream of plans complementing and extending the area in which both the executive and legislative functions of government are housed.

The massive Federal Triangle site, bounded by Pennsylvania Avenue, 11th and 14th Streets, is almost the size of the Pentagon. Designated in 1902, it was only partially developed by 1938 when funds ran out. In limbo, the remainder – much of which had been envisaged as a vast formal garden – served as a car-park, which grew larger still when the adjacent Coast Guard Building was demolished in the early 1970s. In 1982 Harry Weese & Associates drew up a masterplan for this hole at the heart of the city, combining a conference centre with two new federal office buildings.

Five years later in 1987, Congress voted to diversify the scheme into a cultural and trade centre, and two years later, seven US architectural and developer heavyweights were invited to enter a competition to design the building. Pei Cobb Freed & Partners, together with a local practice, Ellerbe Becket Architects and Engineers, eventually emerged as the winners. James Ingo Freed, the partner in charge of the project, has a distinguished pedigree as the designer of the US Holocaust Memorial Museum, where he applied an effective and deliberately discordant classical exterior to the profundity of its sombre interior.

The brief for the Ronald Reagan Building was radically altered in 1992 and now it is a so-called international trade centre, the office tenants divided between private and government bodies, with little culture left in the programme – just an auditorium and a visitor centre. It even opens two years after the demise of its client body, the Pennsylvania Avenue Development Corporation. Pared down and snipped almost to bits, with an elephantine gestation period, the resulting building was bound to be the poorer.

Official commissions never run easily. Here the architects have struggled with the changes of brief, the parsimony of their paymasters and, in effect, the aesthetic preferences of a "Committee of Taste" on Capitol Hill. Governments, and Treasury departments, have never made good or easy clients and James Freed can, no doubt, feel some sympathy with the feelings of the elderly English architect John Soane, when he was summarily ordered by a parliamentary select committee in 1824 to demolish his newly built classical Law Courts and rebuild them in Gothic Revival style to suit their whim.

As Freed struggled with the twists and turns of the modern, but doubtless equally hidebound, collective mind to whom he was answering, he seems to have lost his grip on the finer points of the design. Only the adroitness of the ground plan, dealing with an awkwardly deep wedge-shaped site, rescues the Ronald Reagan Building from being little more than an architectural camel.

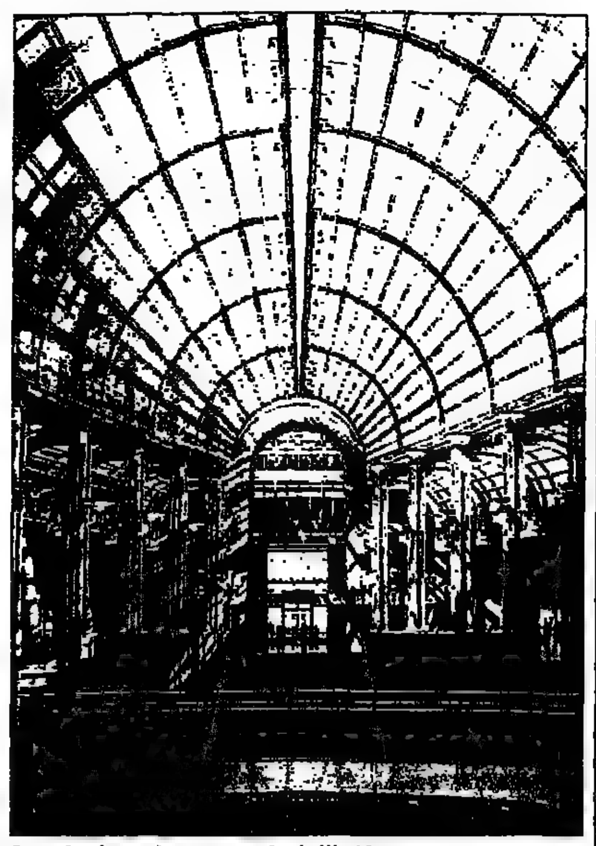
A drum-shaped temple, with a shallow saucer dome, marks the corner of the site on to its northern edge at Pennsylvania Avenue. A self-effacing entry point (one of many), it fails to demonstrate the importance of the structure behind or to even slightly shake up the po-faced classical language chosen. It is a supremely dull, forgettable introduction, without even the conviction of its chosen forms; the logic of heavy rustication on the base is ruined by intrusive movement joints running through the blocks of stone. An academic exercise in uninspired classical revival, it does not bode well for what lies behind and sets the scene for the remainder of the façades.

Building codes, set by the surrounding buildings, no doubt dictated the use of stone and a loosely classical idiom, but the comparisons between the new building and earlier revivalist neighbours, such as the vast Department of Commerce, from the early 1930s, do not work in Freed's favour. An arcade runs along the eastern flank of the building, cutting through on a continued oblique line, a happier classical note but soon lost in its discordance with the main public space, the top-lit atrium.

Freed's reworking of the atrium, an American building form always teetering on the edge of cliché, is a brave near-miss. Perspectival exaggeration in the trumpet-shape of the atrium gives the space a notion of grandeur and points to Freed's academic background as former dean of a leading school of architecture, with an interest in 18th century French rationalists.

Unfortunately, the intrusiveness of the structure, its vast columns to each aisle and in the vault itself, detracts from the impact while a confusion of galleries, passages and entrances leading into the offices to either side are reminders that this is just another mall. The winner in all this is a wall of neon, a linear abstract of primary colour and vitality by Keith Sonnier, which lifts the ultimate sense of greyness a notch in this disappointing great hall.

An informative small exhibition tells the background to this lumbering progress, and shows all seven competition models. Ironically, the Pensions Building – which houses the exhibition – is an office block pierced by a vast top-lit public hall, jollied up by massive gilded columns, showing just what *can* be done by putting classicism and technology together with flair – and that was in the 1880s.



Central atrium: a brave near-miss in Washington

Steamy but ever so flat

POP

PETER ASPDEN

Tanita Tikaram
The Cappuccino Songs (Mother)

Recalling without apparent inhibition the ridiculous posturing in the mid-1980s of Paul Weller's Style Council, Tanita Tikaram has entitled her new album *The Cappuccino Songs* (Mother). This invokes sunny mornings, inconsequential conversations with friends, cool seductions; the back of the sleeve shows a coffee cup overflowing with sugar, which is not very sophisticated but must be symbolic.

For it seems that life is sweet right now for the woman who so impressed 10 years ago with her blend of earnestness and premature sagacity. Tikaram was just 18 when she warned of that Twist in her Sobriety, since when she has gradually faded from our view. She needed something to make us sit up and pay attention.

The Cappuccino Songs is the result. There is more than a whiff of reinvention about it. Not just in the glossy packaging, replete with some pretty steamy poses; it is in the songwriting, too. "I Like This" is Tikaram stretching the cappuccino-as-sex metaphor to the full: "Share our coffee, share my thoughts ... Baby I got time for you, yeah if you do me, really do me."

This all seems like a perfectly reasonable tactic for an attractive 28-year-old woman in search of a hit. But one might have hoped for some more substantial breakthrough on the purely musical side. Tikaram's blessing – that stark, boomy voice – is also her curse. Never the most expressive of instruments, it runs into trouble on the very first track, in which a busy flourish of strings precedes an announcement – "I'm happy to be here" – which bears no relation to her mournful timbre. If this is happy ...

Those strings, so modish at the moment, make frequent appearances on the rest of the album, most effectively on the riff of "Back In Your Arms", but fail to lift the mid-tempo torpor. That is not to deny the album its brighter moments, however. "I Don't Wanna Lose At Love" is imaginatively centred round a jaunty, yet nagging, jig; "The Day Before You Came", the old Abba song, is given an intense, almost desperate reading as an "X-Files" synthesiser riff is peppered by some impressively edgy bass playing.

But the weaknesses of The Cappuccino Songs make an equally vivid impression: the dreary "Amore Si", in which a bland, latin-tinged backbeat unhappily recalls the worst of Sade, and the truly daft title track, in which an Italian couple burble an ersatz seduction scene in their native language in the background of a forgettable melody. "The woman smiles, the café feels like home to you" sings Tikaram hopefully, but she frankly sounds as if the froth in her cup has already gone a little flat.

Triumph in the fidelity to emotions

OPERA

ANDREW CLARK

Jenufa
Welsh National Opera
New Theatre, Cardiff

It's hard to think of an opera that is truer to the human essentials than *Jenufa*; and equally hard to imagine a performance as faithful to Janáček's compassionate vision of life as Welsh National Opera's new production, unveiled on Saturday at the New Theatre, Cardiff. Staged by Katie Mitchell and conducted by Daniel Harding, it is a colossal achievement, a life-enhancing experience and a much-needed reminder of how simply opera can speak.

Here we have birth, life and death, seen through the patina of Moravian village life; a portrait of self-delusion and self-knowledge, hurt and healing, guilt and absolution, all symptomatic of life's challenging complexity – and all filtered through Janáček's quixotic imagination. One comes out quietly exhilarated, a little shell-shocked, and consumed with wonder at how Janáček could have conceived and realised such a masterpiece from such modest resources. This production *has* to be seen.

WNO's achievement starts with the programme book, in which Harding offers a musical commentary of extraordinary perceptiveness (he's still only 22) and the Janáček scholar John Tyrrell gives pointers to the opera's autobiographical inspiration. I had never realised, for example, how far the Kostelnička/Jenufa axis reflects Janáček's protective relationship with his daughter Olga. Such details may not be essential to an appreciation of the opera, but they help to explain how Janáček found his mature operatic voice, and why the emotions expressed in *Jenufa* are so affecting.

Mitchell's achievement is to recognise these emotions, to trust them and not intellectualise them. The fidelity of her staging brings to mind Peter Stein's best work, and her direction of each member of the cast is equally telling. This is a performance of painstaking detail and inexorable sweep, like a canvas which absorbs the eye in its concentrated scale and sense of proportion. Not a single movement is superfluous; each scene unfolds in a way that frees and fulfils the music.

Vicki Mortimer has designed a series of naturalistic Moravian interiors that would be familiar to Janáček and Gabriella Preissová, whose play, shockingly veristic for its time, formed the basis of the libretto. The slanted perspective adds depth and authenticity, and the narrowness of the stage heightens the sense of emotional and social claustrophobia – especially when the Act 1 recruiting chorus bursts in. Mitchell's choreography here is as true-to-life as Jenufa's post-natal gait in Act 2 and the embarrassing social proprieties of Act 3.

The point about all this is that from faithful observation of the particular, we are granted access to the universal. The only occasions when Mitchell goes beyond the naturalistic are when she uses a gauze to show Jenufa asleep in Act 2, and then at the very end, when the set lifts to show the Kostelnička in old age meeting a child. I didn't really understand this, other than as a way of underlining the role of fate, and it made for a quizzical final curtain.

Harding's contribution is more contentious. He extends the pit deep into the stalls, and gives the orchestra a Wagnerian role in the drama. The approach is the opposite of Czech tradition: less sinewy, more heavily accented and contrasted, and much more intensely contoured. There's an organ-like richness to the sound, and sometimes a sheer loudness, that is not always necessary. But Janáček's rhythmic cells come across with a compulsive charge – the WNO strings play like demons – and the performance has an unstoppable quality that reflects well on Harding's theatrical antennae.

The decision to sing in Czech is validated by the cast's command of the idiom, and there's a cohesion to the ensemble that bespeaks long and fruitful rehearsal. Suzanne Murphy's comfortably middle-aged Kostelnička hovers over the proceedings from start to finish – severe, proud, generous, vulnerable.

Murphy sings with a lighter, sleeker tone than is usually associated with this role, but she has all the presence it needs. Rosalind Sutherland makes a homely Jenufa: the brittle quality of her voice fits the part, and whether as gullible fiancée, single mother or humble realist, she is totally believable.

Nigel Robson's bald, thin-toned Laca is initially disconcerting: by normal standards he is far too mature for the part, but his acutely sympathetic acting quickly convinces us. John Daszak makes Steva a worthy addition to his headstrong anti-heroes, while the smaller parts – notably Susan Gorton's uncaricatured grandmother and Mary-Louise Aitken's excitable Jana – are vividly taken, and the chorus is superb. Even Glyndebourne's Janáček does not come as definitive as this.

Rosalind Sutherland and Nigel Robson in 'Jenufa': birth, life and death, seen through the patina of Moravian village life

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: Carlson-Humphrey-Tharp. Programme of works by the three choreographers; Sep 18, 19

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen; Sep 20, 23

BUCHAREST

CONCERTS
Sala Mare a Palatului
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Berg and Tchaikovsky; Sep 18
● Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schumann and Mahler. With piano soloist Radu Lupu; Sep 19

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures; from Sep 18 to Jan 10

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini; to Sep 20

OPERA
Edinburgh Festival Theatre
Tel: 44-131-529 6000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 19

FRANKFURT

CONCERT
Alte Oper
Tel: 49-69-134 0400
Chamber Orchestra of Europe: conducted by Heinz Holliger in works by Haydn and Mozart; Sep 18

OPERA
Oper Frankfurt
Tel: 49-69-21237 999
www.frankfurt-business.de/oper
La Périchole: by Offenbach. Conducted by Catherine Rückwardt in a staging by Peter Eschberg, with designs by Peter Pabst; Sep 18, 20

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 23

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts works by Mozart and Bruckner in the opening concert of the autumn season. With piano soloist Radu Lupu; Sep 23

Royal Festival Hall
Tel: 44-171-960 4242
● London Philharmonic Orchestra: Valery Gergiev conducts the season's opening concert. Programme includes works by Tchaikovsky and Berlioz, with the London Philharmonic Youth Orchestra, London Philharmonic Choir and violin soloist Sarah Chang; Sep 20
● Philharmonia Orchestra: conducted by Kurt Sanderling in works by Brahms, Beethoven and Shostakovich. With piano soloist András Schiff; Sep 22

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics will include around 100 pieces, many of which have never before been exhibited. They will be shown with some paintings and sculptures, demonstrating how Picasso developed his ideas across different media; to Jan 1

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
● Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 19, 22
● Werther: by Massenet. Conducted by Emmanuel Joel in a co-production with Théâtre du Capitole Toulouse staged by Nicolas Joël and designed by Hubert Monloup. The title role is sung by Ramón Vargas; Sep 18

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and Mahler; Sep 20, 21, 22

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: Kurt Masur conducts Beethoven – The Complete Symphonic Cycle. Programme I (Sep 18); Programme II (Sep 19, 22)

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
From Van Eyck to Brueghel: Early Netherlandish Paintings. Almost 100 paintings from the collection, exhibited together for the first time; from Sep 22 to Jan 3

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s while living and working in New York. This display includes installations and a film as well as paintings, sculptures, photographs and collages; to Sep 22

OPERA
New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
● Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manahan. Lisa Saffer sings the title role; Sep 19, 22
● Tosca: by Puccini. Conducted by George Manahan in a staging by Mark Lamos. Cast includes Isabelle Kabatu, Anotonio Nagare and Mark Delavan; Sep 18, 23

PARIS

DANCE
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Cuban National Ballet: Swan Lake, in a staging by Alicia Alonso; Sep 22
● Cuban National Ballet: Giselle, in a staging by Alicia Alonso; Sep 23

EXHIBITIONS
Musée d'Orsay
Tel: 33-1-4049 4814
www.Musee-Orsay.fr
Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in Amsterdam; to Jan 3

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
● Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to Sep 21
● Bassano and His Sons: works by the Venetian painter Jacopo Bassano (1510-1592) and his sons. The display brings together works owned by the Louvre with loans from other French museums; to Sep 21

SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast stars Renée Fleming; Sep 19, 23

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19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Come back Truman

The world needs more than interest rate cuts. The US, Europe and Japan must set their economic policies in a global context

We must pretend to be impressed. With all due solemnity the finance ministers and central bankers of the seven most powerful industrial nations have owned up that the world economy now rests on the precipice. A little late, you might say. But let's not cavil. These great men are paid to be cautious. And if things get any worse, though only then, words will be matched with deeds. Interest rates could be slashed by at least a quarter of one percentage point.

I take no pleasure in sounding a touch cynical. Glance around the world at the conflagrations in Russia and Asia and at the smouldering bushfires in Latin America and the temptation rather is to weep. Yet we cannot ignore the dismal hollowness which echoes through the west's response to an economic crisis that could yet return us to the 1930s.

We are not, it should be said, facing the collapse of global capitalism. Those on the political left who now proclaim that we are at the beginning of history are about as prescient as those who not so long ago pronounced there were no more pages to be turned. Save perhaps in Yevgeny Primakov's Russia, the command economy still lies beneath the rubble of the Berlin Wall.

The indiscriminate march of market liberalism, though, has been checked, and rightly so. The decade after the fall of communism has seen the US remaking the world economy in its own image. The process seemed effortless. Free markets delivered faster growth. But the Asian standard-bearers of this new financial liberalism are now facing falls of five, 10 and more per cent in their national incomes during a single year. We are reminded (and only liberal fundamentalists ever thought otherwise) that efficient markets need effective rules.

Thus there are welcome signs that western policymakers are beginning to rethink some of the more risible orthodoxies of recent times. It seems self-evident now (it should always have been so) that there is more to economic management than shrinking budget deficits and an explosion in world credit built on ever more flimsy financial derivatives. The implosion of the Japanese economy tells us that Keynes still has something to say.

There have been some hints from Washington this week (though I admit they are hard to find in the self-justificatory complacency of Michel Camdessus) that even the International Monetary Fund has lifted its head an inch or so above the sand. The lesson is that markets cannot be oblivious to culture, politics and geography. The torrent of money that flowed into Asia's so-called Tigers was proclaimed a triumph of liberalism. In truth it rested on a mutual confidence trick perpetrated by crony capitalists and reckless bankers.

However much it offends the IMF's fundamentalists, some constraint on speculative financial flows is probably vital to solve the present crisis. As the American economist Paul Krugman has argued, for economies mired in slump the undoubted costs of exchange controls are a price worth paying.

Perhaps I am too optimistic here, but common sense may also be gradually elbowing aside dogma in a dawning realisation that one-size-fits-all adjustment is socially destructive and politically destabilising. At last the Group of Seven is talking about softening the social impact of IMF austerity programmes. Better late ... as they say.

If the Bretton Woods institutions want to rebuild some credibility, they must put reality alongside theory. The obstacles facing the politicians cannot be separated from the aspirations of the economists. We can all lament the failure, say, of successive Russian governments to collect enough taxes. But I am not sure what the west gains from punishing the mistake. What price, I wonder, will we pay if a Russia returned to nationalism flexes its nuclear might?

More immediately, of course, hopes that the present recession in 40 per cent of the world does not become the precursor to slump elsewhere rest mainly with Alan Greenspan. IMF-backed support operations in Brazil and elsewhere may help. But it is for Mr Greenspan to preserve the fragile confidence of international markets by cutting US rates. Let's hope the Fed chairman displays some familiar wisdom.

We are talking here, though, about firefighting, about palliatives not cures. Vital, sure enough, but offering an answer perhaps for the next three months not for the next three, let alone, 10 or 20 years. What is missing, and most dangerously so, in the current panic of deliberation is a recognition by the most advanced economies that they sink or swim together. Warm words from the G7 scarcely cloak the fundamental disagreement about their respective responsibilities.

Thus Japan is blamed, and with good reason, for failing over more than five years to respond to the collapse of demand in its economy. It will be rescued only by a massive fiscal and monetary stimulus and by the nationalisation of its banks. But Japan's paralysed political class has thus far refused to listen.

To those on the outside looking in, this is kamikaze economics. But we should not kid ourselves that Japan is the only villain of the piece. There are two other sides to the triangle.

The arrogance with which Washington has asserted the hegemony of unfettered markets has been matched by stubborn insularity in Europe. The euro was once meant to symbolise the continent's emergence as an economic superpower. Instead it has bred Maastricht myopia, an obsession with fiscal deficits and inflation. No place there for a role in the wider world.

Thus we have heard the Bundesbank's Hans Tietmeyer blithely declare that Europe has no cause to cut its interest rates. Anaemia has become a way of life in European economies. Yet Asia's fate hinges on the capacity and willingness of the US and Europe to buy its products.

Herein then, lies the greatest cause for pessimism. We might just muddle through now. But the precondition for a flourishing international economy (and, it should be said, a more secure world) is a mutual recognition between its largest players of their interdependence. Liberal capitalism needs an anchor of stability. That can be provided only by close policy co-ordination between the US, Europe and Japan.

Bill Clinton and Tony Blair, we now hear, want a full summit of the G7 to chart the way ahead. But even as they speak, their treasuries caution against raising expectations. Never mind any threats to our security. The bean-counters are in charge. As for co-operation between them, the truth is that the world's most powerful nations are as far as part as they have ever been.

The world needs a new financial architecture. As Paul Volcker, the former Fed chairman, has remarked, it should be built on stability – the creation of reference zones, if you like – between the dollar, yen and euro. The value would lie not in the precise matrix of exchange rates, but in the underlying commitment it represented.

Unless and until the most powerful nations frame their domestic policies in a global context we face a period of endemic instability. This is about politics as well as economics. A poorer world is a more dangerous one. But change requires imagination and leadership. Where is Harry Truman now?

LETTERS TO THE EDITOR

West should support interventionist policies of new team in Russia

From Mr Daniel J. Arbess.

Sir, It is as much an over-simplification to believe that the political resurgence of the Russian Communists should be equated to a return to totalitarianism as it was for the west to believe that it could save market reforms in Russia by providing macro-support for a fundamentally unreformed economy ("Soviet men", September 14).

Nobody believes in a return to the command economic model – perhaps not even the hardened super-minority of the Communist party. But the new regime will be more interventionist, and that is exactly what is needed to move the transition to markets further.

Russia's public finances will be restored only when it breaks the barter economy and establishes a tax base of profitable enterprises. To get there, the country needs an industrial policy that forces the liquidation of insolvent businesses and attracts tax revenues back onshore from the profitable ones.

Today's moment of apparent political consensus creates the conditions for this to be done. If the Duma can be inspired to move on tax reform and bankruptcy legislation, and the government uses its control over Gazprom to force it to stop conducting barter trade and cut off non-paying customers, a world of progress is possible.

Until there is evidence that the new team won't move in this direction, the west should suspend cynical ideological games over industrial policy and show a willingness to provide support to the Russian people.

Daniel J. Arbess,
president,
Taiga Capital Group,
888 7th Avenue,
New York, NY 10019,
US

EU pensions tax problems being tackled

From Ms Elisabetta Olivi.

Sir, I wish to congratulate the Financial Times on its excellent guide on "The future for European pensions" (September 11). However, I would like to comment on the assertion in Jane Martinson's article that Commissioner Mario Monti "has suffered the defeat of 36 directives involving changes to taxation".

Mr Monti did say in the interview that, when he joined the Commission in 1995, he was concerned that there were 18 taxation proposals blocked in the Council and that 30 more had been withdrawn shortly before. Precisely in order to make progress in this area – especially difficult due to the requirement of unanimity among member states – the Commission adopted in 1996, on the initiative of Mr Monti, a new approach to tax co-ordination.

This approach has been endorsed by member states and has resulted in particular in the unanimous agreement at the council of finance ministers in December 1997 on a package of measures, proposed by the Commission, against harmful tax competition.

Among the measures is the code of conduct for business taxation, which is in the process of being implemented through a Council group chaired by Ms Dawn Primarolo, the UK financial secretary to the Treasury.

Building on the constructive climate created by the new approach to tax co-ordination, Commissioner Monti started discussions with member states recently on how to tackle tax obstacles to a single market for supplementary pensions.

Elisabetta Olivi,
spokeswoman for Mario Monti,
European Commission,
Rue de la Loi 200,
B-1049 Brussels,
Belgium

Resounding rebuke from a former president

From Mr James S. Lapham.

Sir, A re-reading of the letters of John Adams' love and devotion to his feminist wife, Abigail, give a resounding rebuke to all those defenders of President Bill Clinton who say "all great presidents had affairs". President John Adams wrote: "To maintain a republic required virtue and simplicity among all order and degree of men." A great politician, he wrote, "is to make the character of his people, to extinguish among them the follies and vices that he sees, and to create in them the virtues and abilities which he sees wanting".

The courage of Senator Joseph I. Lieberman in speaking out against President Clinton is the only bright spot in this sordid tale of moral turpitude and political nihilism.

James S. Lapham,
411 Lake Shore Drive,
Putnam Valley, NY 10579,
US

Number One Southwark Bridge, London SE1 9HL

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The Real challenge for Cardoso

Brazil's drastic efforts to ward off a currency crisis could lead to recession, say **Geoff Dyer** and **Richard Lapper**

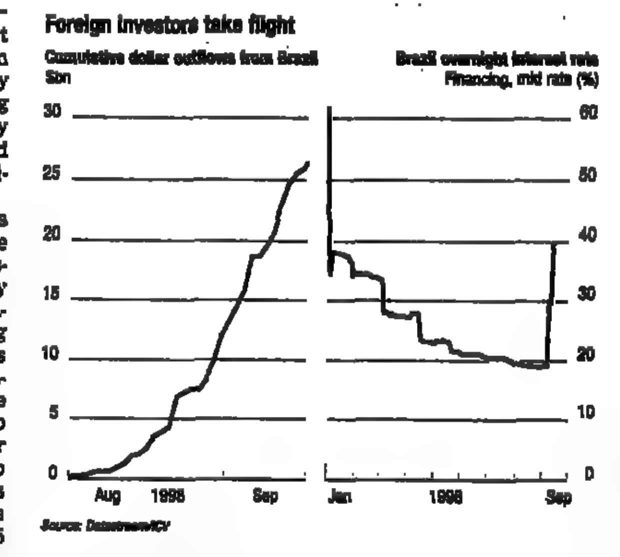
Brazil seems to have survived yet another mauling on the financial markets, its currency bloodied but – so far, at least – unbowed. It is not the first time. Last month, Latin America's largest economy weathered the gales blowing from Russia and Asia by jacking up interest rates and promising big public spending cuts.

Although there was another sharp fall on the Brazilian stock market yesterday – share prices fell by 8 per cent in morning trading – it seems to be clinging on. Encouraged by rumours that the International Monetary Fund, urged on by the US government, is trying to put together a bail-out for Latin America, the Sao Paulo stock exchange has risen by 30 per cent since Friday, having plunged 55.5 per cent between the beginning of August to last Thursday. The flood of capital out of the country, which had averaged $1.5bn a day last week, has been slowed to a relative trickle ($352m on Tuesday). Even by their own standards, Brazilian markets have had a melodramatic few weeks.

The questions are: how much longer can this go on? And at what cost? Even if Brazil has beaten back a run on its currency – and that is still a big if – it has almost certainly just bought time at the cost of a recession.

Perhaps that was inevitable. Brazil's problem is that its budget deficit, now running at 7 per cent of gross domestic product, is unsustainable and its current account deficit, 4 per cent of GDP, is too high. To finance the deficits while maintaining a stable exchange rate, interest rates have been kept up and growth restrained. High rates mean high interest payments, and a bigger budget deficit.

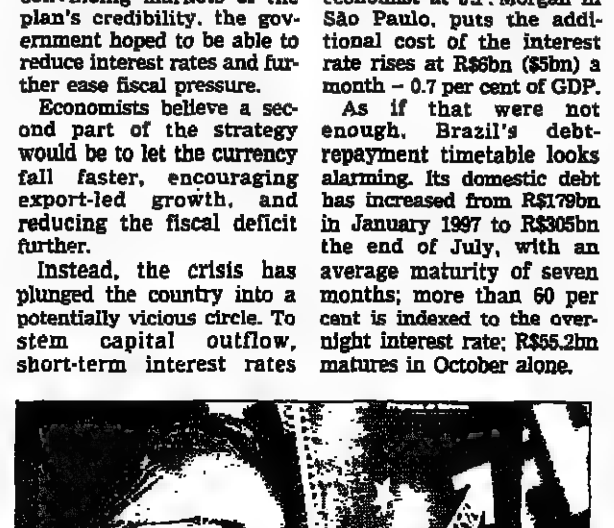
Before the current turmoil erupted, the government knew what it wanted to do to get out of this mess. After presidential elections on October 4 (assuming victory for President Fernando Henrique Cardoso), it planned to start clipping back the budget deficit to around 3 per cent of GDP within three years by raising taxes, cutting spending and introducing tougher pensions reform. Privatisation would also help bring down debt. By convincing markets of the plan's credibility, the government hoped to be able to reduce interest rates and further ease fiscal pressure.



Economists believe a second part of the strategy would be to let the currency fall faster, encouraging export-led growth, and reducing the fiscal deficit further.

Instead, the crisis has plunged the country into a potentially vicious circle. To stem capital outflow, short-term interest rates have been raised to nearly 50 per cent. This exacerbates the fiscal burden, the root of Brazil's credibility problem. Marcelo Carvalho, chief economist at J.P. Morgan in São Paulo, puts the additional cost of the interest rate rises at R$6bn ($5bn) a month – 0.7 per cent of GDP.

As if that were not enough, Brazil's debt-repayment timetable looks alarming. Its domestic debt has increased from R$179bn in January 1997 to R$305bn the end of July, with an average maturity of seven months; more than 60 per cent is indexed to the overnight interest rate; R$55.2bn matures in October alone.



Uncertain outlook: President Fernando Henrique Cardoso's election leaflet points upwards - but Brazilian markets are falling AP

These figures have prompted some observers to ask whether Brazil will be forced into a default. With one eye on Brazil and the other on trying not to be caught out by the next crisis, Moody's, the debt ratings agency, said on Monday: "The likelihood that countries in the Latin American region will resort to capital controls, debt rescheduling or debt moratoria ... has increased significantly."

Most Brazilian bankers play down the idea of a default. They point out that more than 95 per cent of the debt is held by local banks or institutions that need to keep substantial parts of their assets in Reals and that there is enough liquidity in the banking sector to soak up debt. News of possible IMF-led assistance has also helped damp fears of default.

But even if a default before the elections is unlikely, Brazil is by no means out of trouble. With the interest burden rising and confidence damaged, its fiscal adjustment will need to be more impressive to avert another flight of capital. "In order to move from a bad equilibrium to a good equilibrium, you need to overshoot on the fiscal adjustment," says Paulo Leme, an economist at Goldman Sachs in New York.

However, turmoil in the markets – which is pushing up the risk premia on emerging-market debt – will make it harder for Brazil to finance its external deficit next year. Growth will have to slow in order to reduce the trade gap and some economists are already forecasting recession.

The risk is that Brazil will fall into the trap that Jeffrey Sachs, the Harvard economist, has identified in Asian countries – by introducing austerity measures to boost credibility, the economy plunges into deep recession, further eroding confidence.

The best Brazil can hope for is a controlled slowdown, while it tries to sort out its finances and restore credibility. The worst will be a self-defeating spiral of fiscal austerity and recession that prompts sustained capital flight and a prolonged crisis.

Divided loyalties

Scepticism towards a Welsh national assembly reflects deep political, geographic and economic divisions in the principality

John Lloyd on Britain

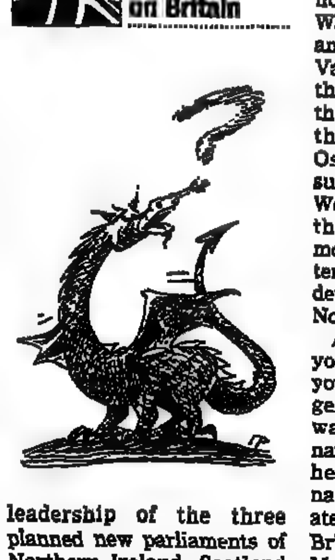
Rhodri Morgan, who wants to be Prime Minister of Wales, began by addressing a few sentences to the meeting in Welsh. The audience in the hotel in the north Wales coastal town of Porth Madoc was a little discomfited; when, after his 20-minute speech (in English) they asked questions, most turned out to have English accents.

They were concerned about the fallout from last year's referendum, when the Welsh voted narrowly in favour of their own parliament. What would happen if there were a Labour-dominated Welsh Assembly (a racing certainty) and a Tory government in Westminster? Would the nationalist tide in Scotland sweep over Wales? "Could the assembly get rid of the national curriculum?" one woman asked. Mr Morgan was a little nonplussed. "I think so," he said. "I think it's the kind of thing that falls into the area of the assembly." "I hope that won't happen," said the woman, rather querulously. "Devolution is all very well, but education is for life. It all chips away at the solidarity of the UK."

Mr Morgan is the Labour MP for Cardiff West but the meeting was taking place in a stronghold of Plaid Cymru, the Welsh nationalist party. In this Welsh-speaking area, the political activists tend towards Plaid – leaving Labour with the English speakers. "Labour has a problem," says John Osmond, who runs a think-tank called the Institute of Welsh Affairs. "Its membership tends to be older and are often hostile to devolution." Its further problem is that Plaid, whose poll rating has grown from 10 to 20 per cent in the past year, is now – with the collapse of the Tories – second almost everywhere.

Mr Morgan's quest to become prime minister of Wales is rather a lonely one: he appears to be his campaign's organiser as well as its star, and he is fighting a heavyweight from his own party: Ron Davies, the Welsh Secretary, who has a Jaguar with a chauffeur and a campaign staff working from Transport House, the Welsh Labour Party HQ in Cardiff.

The vote by Labour party members to choose between the two men takes place tomorrow. There is not much difference between them: "They are both," says Wayne David, Member of the European Parliament for the Cardiff area, "in the Welsh Tribunite [soft-left] consensus, which covers almost everyone." But the contest – the only one for the leadership of the three planned new parliaments of Northern Ireland, Scotland and Wales – has the merit of all such competitions: it allows those whose votes are being sought to articulate their concerns. And the largest worry by far is that devolution be measured, moderate and as un-nationalist as possible.



Welsh devolution is very different from that of Scotland. "We are about to create a new democracy in Wales," says Mr Davies. "In Scotland the institutions have been there for centuries – in the law, in the education system, in the Church. The parliament there comes on top of that. Here the parliament will be more crucial in creating institutions."

Where Scotland claims autonomy as a right, and where Northern Ireland sees in devolution a way of settling its internal quarrel, Wales has sent forth an uncertain note.

The worries of the Labour members of Porth Madoc are everywhere, and are a reflection of the thinness of Welshness as a set of institutions. The Welsh Office, the government's local executive body, was created only in the 1960s; Welsh wings of the Trades Union Congress and Confederation of British Industry came in the 1970s. North and mid-Wales are hard to reach from the south; the fast routes are east-west. Geographically, the three parts of the principality are closer to contiguous parts of England: the north to Merseyside, mid-Wales to the West Midlands, and the south to the Severn Valley and Bristol. Though the north-south division is the one most commented on, there is also, says Mr Osmond, an east-west fissure: the western side, more Welsh-speaking and poorer, the east more developed, more comfortable. In crude terms, the west voted yes to devolution last year, the east No.

As crudely, the younger you were, the more likely you were to vote Yes. "The generation formed by the war, and by the great national institutions like the health service and the nationalised industries created after the war, think in British national terms," says Mr Osmond. "For the under-40s, these are less potent. Many of the older Labour MPs here hate devolution and nationalism, because they were themselves formed by the same [post-war] process. Plus, the assembly will mean that they have an assembly member in their own constituency, competing with them to represent the people."

In spite of the marginal popular acceptance of devolution, the political tide runs strongly for it. Mr Davies, who is learning Welsh, is the first Secretary of State who seems to regard the job as an achievement rather than a stepping stone. The success of the Welsh Development Agency in attracting foreign investment has stimulated the call for stronger self-advertisement. John Smith, now the MP for the Vale of Glamorgan, was instrumental in bringing together agencies and companies to form the "Branding Wales" group, to push a positive image. In opposition to the grimy, militant poverty portrayed in Richard Llewellyn's *How Green was my Valley*, the hugely successful post-war film, qualities such as lyricism, passion, hospitableness and a strong work ethic, he believes, are waiting to be promoted.

In a world that lives by images, nations and regions wither if they do not have a good one. But having one increases the sense of difference – above all, from the English. Once the assembly is in place, with members who must respond to their voters, the pressure to boost Wales will be intense. Gerry Holtham, retiring director of the Institute of Public Policy Research and himself a Welshman, says: "If the assembly can foster a sense of pride and self-belief to accompany the traditional strengths of Welsh people, economic strength will develop. An appropriate policy response from an assembly 'minding the store', as no London government could, would then reinforce that economic strength."

But Wales, much more than Scotland or Ireland, also offers the English gain as well as pain. Precisely because of the half-hearted assent to a separate parliament, Wales could stand as a model to the much larger part of the UK that is doubtful to the point of indifference about regional assemblies. The MEP Wayne David, who has studied devolutionary processes elsewhere in Europe, thinks the trend will continue – and that "England might see in Wales an example to follow. Many of my colleagues from the north and the Midlands are strongly of the view that they are losing out. I think it will come there too, and will work as in Wales – the assemblies will create the structures."

However much the individual Welsh have made a mark in the world, it is not in Wales's collective nature to be a pioneer. That the leaders should talk so much about self-confidence is an indication of a fear that it may not be found. But the process is under way, and the stereotype may change.

FINANCIAL TIMES
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Friday September 18 1998

Bailing out Japan's banks

The political deadlock over the future of the Long Term Credit Bank of Japan saw Japan's top officials meeting into the early hours last night in an attempt to reach a decision before the weekend. But the approach they are taking is fundamentally flawed.

Although the ruling LDP party has been reluctantly edging toward the opposition's plans to nationalise the weakest banks, it has so far appeared as keen as ever to inject public funds to save them. But as well as being very expensive, this would leave the Japanese banking system as overcrowded and unprofitable as ever.

The opposition's proposals sound more sensible. They suggest that the weaker banks should be nationalised, then wound down, so removing excess capacity and giving the other banks breathing space to rebuild their balance sheets.

This could work, if Japan's banks could be neatly separated into the sound and the unsound. The problem is that as Japan's politicians have dithered, the problems in the banking sector have worsened to a point where the entire banking system has been severely weakened. The rating agency Standard & Poor's earlier this week estimated that the banks' problem loans could total as much as Y151,370bn ($1,121bn) – 30 per cent of gross domestic product.

In such a vulnerable banking system, the closure of the weakest banks could have devastating knock-on effects. The Japan premium would rocket, leaving many banks with very serious liquidity problems, and worsening the credit crunch. With the whole banking system in difficulties, a piecemeal approach could be very damaging.

One option would be to inject public money into those banks worth saving, at the same time as winding down those that are insolvent. The problem is that the bailout would have to be massive; and with the banks still privately owned, the benefit would accrue to the shareholders. This would amount to a huge transfer of funds from government to shareholders, which would surely be politically unjustifiable.

The unpalatable truth is that if the Japanese government really wants to rationalise its banking sector, while avoiding the risk of a total credit crunch, it has to carry out a widescale nationalisation programme, followed by closure of the worst banks, and recapitalisation and subsequent flotation of those that remain.

This would impose appropriate losses on shareholders, since the government would acquire ownership rights. It would also ensure that the banking system continued to function during the clean-up process. It would be a radical move; but it may be the only way for Japan to extricate itself from a desperate situation.

UK trade unions

As British union leaders met at their annual conference this week, they heard John Monks, general secretary of the TUC, herald the European corporatist model. It would provide, he argued, the "third way" the Labour government is seeking. Peter Mandelson, trade and industry secretary, politely said no thanks. Better not to get "too close for comfort", he said.

He is right. Britain's unions must carve out a new role: they should not be sitting at a tripartite table.

For the most part, Mr Monks has done a good job of persuading the TUC to leave yesterday's battles behind. He has preached a form of new unionism, in which unions seek to improve production and the workplace through "shared understanding of company performance". But his hoped-for "social partnership" will not materialise.

In theory, by putting the interests of the unemployed before those of employed insiders, corporatism can work. There is some evidence that this has happened in the Netherlands – although early retirement and disability benefits have been at least as important as tripartism. In Germany, however, the corporatist agenda has yielded levels of unemployment that should not be tolerated.

Such an approach, in any case, is at odds with Labour's economic philosophy. New Labour's leaders hate the very thought. Mr Mandelson said the government was determined "not repeat the mistakes of the 1970s". That is an understatement: ministers are haunted by the memory.

A more realistic comparison for Mr Monks would be with his US rather than his European comrades. As in the US, the TUC is an important interest group which funds the left-of-centre party. This buys political influence. And American unions offer their dwindling number of members a wider range of services, such as employee ownership schemes and pensions.

UK unions must similarly adapt to a changing world, as one interest group among many. They have won the minimum wage and progress on recognition. They can play a role in advancing members' interests in Brussels. But they are not going to get a seat at the economic table.

It is for union members to decide whether representation is worth their dues. Over the last 18 years a growing number have decided it is not. The precipitous decline in union membership is not only the result of Mrs Thatcher's attack on unions. It also reflects the fact that unions can no longer deliver the influence they aspire to. The TUC has made a partial adjustment to this reality. It has further to go. There can be no return to the good old, bad old days.

Basque truce

The Spanish government has reacted sceptically to the announcement of a ceasefire by Eta, the armed Basque separatist organisation.

Its caution is understandable: the truce could merely be a tactical manoeuvre ahead of the regional elections on October 25. And Eta is still demanding an independent Basque country, including a slice of France.

But this is Eta's first offer of a truce of indefinite duration and without explicit conditions. It raises a glimmer of hope that Eta and its political wing, Herri Batasuna (HB), have indeed learned something, as they promised, from the five-month-old peace accords in Northern Ireland.

As long as there were two violent nationalist movements within the European Union, they could to some extent draw legitimacy, as well as training, from each other. Now that Sinn Féin, the political wing of the Irish Republican Army, has drawn most, if not all, of the gunmen into the Irish peace process, Eta may be feeling uncomfortably exposed before Basque public opinion.

The region's leading political force, the Basque National Party (PNV), has also very consciously been trying to exercise the same moderating role on HB as the moderate Irish nationalist SDLP party did on Sinn Féin.

Parallels end here. The Basque situation ought to be simpler than Ireland, because Eta has no competitors and professes no loyalty to another state. In fact, it is more complicated, because the Spanish Basques have more autonomy, including tax-raising powers, than Northern Ireland ever did – yet that is not enough for Eta. While mainstream UK political parties have long agreed on the Northern Irish issue, Spain's nationwide parties do not speak with entirely one voice on terrorism and Eta.

The government's task must now be to somehow make it politically perilous for Eta to go back on its ceasefire. So far it has pursued a police, rather than a political, solution. The danger now is that it may see the truce as a sign of Eta's weakness, vindicating its unrelenting crackdown.

If the truce holds beyond October 25, the government should respond with some gesture, perhaps returning some Eta prisoners to the Basque region.

For its part, Eta should disabuse itself of any hope at this stage of direct negotiations with Madrid on independence, and pitch into politics in the Basque region. Then perhaps one day there is a chance of moderate Basques joining with fellow nationalists in Catalonia and Galicia, to exploit the democratic potential of an increasingly federal Spain.

Russia's brave old world

John Thornhill says that Yevgeny Primakov is a blast from the past but cannot undo all the achievements of the Yeltsin regime

The Yeltsin years are ending in failure.

When Boris Yeltsin stood on top of a tank outside Moscow's White House in August 1991 and faced down a hardline Communist coup, it seemed as though he had launched a new era of liberation in Russian history. The world's biggest country would cast off the shackles of its totalitarian past and command economy and embrace the values of a liberal democracy and a market society.

Seven years later, that interpretation of events looks hopelessly simplistic. The young reformers who were the intellectual driving force behind Russia's progress into that brave new world have been jettisoned by Mr Yeltsin and discredited in the country at large. In their place have returned the grey men of the late Soviet era, whose beliefs and instincts were moulded by the tenets of Marxism-Leninism, and who mutter increasingly loudly about the re-imposition of state controls in the economy.

Such men as Yevgeny Primakov, the newly-appointed 68-year-old prime minister, and Yuri Maslyukov, the former head of Gosplan, the Soviet state planning agency, who will run economic policy represent the cream of the old Soviet elite. They are decent, pragmatic, patriotic bureaucrats, what one political observer has called the "charming Communists" who stayed loyal to their principles and did not jump on the capitalist bandwagon in pursuit of a quick rouble.

Under their influence, Russia may be returning not to the stagnation of the late Soviet era but specifically to the path the country did not take in 1991-92. Then, the liberal wing of President Mikhail Gorbachev's establishment formulated the concept of *perestroika* (restructuring); it is now regaining its influence in the absence of their former leader. A cluster of *perestroika*-era economists, including Leonid Abalkin and Oleg Bogomolov, who have for the past seven years been churning out obscure journals in musty institutes, have found themselves once again at the centre of attention. It is possible that future historians will see Mr Yeltsin's reign as a a brief interlude in a longer-run continuum in Russian history, rather than as a radical break with the past.

In the economic field, Mr Yeltsin's proudest boasts were that he had privatised the bulk of industry, liberalised the trade regime, stabilised the rouble and purged the country of inflation. Those achievements are all being called into question.

Leading politicians are now demanding that "criminally-privatised" enterprises be nationalised. Victor Gerashchenko, the new head of the central bank, wants to re-establish currency controls. The central bank yesterday said that it would start printing money to pay off the state's backlog of unpaid wages and to bail out banks. The rouble's value has already been washed away in the welter of devaluation.

Even the flood of imported consumer goods, which filled the shelves in Russia's shops and became the most visible sign of the country's move towards a market economy, have begun to dry up as prices have rocketed yet further beyond the reach of many Russians and importers have struggled to cope with the paralysed banking system.

In the political field as well, Mr Yeltsin's achievement is coming unstuck. The heart of the post-Soviet political settlement was his constitution, adopted following a bloody clash with the parliament in 1993. In it, the president was Russia's central political figure, far more powerful than the legislature and able to fire the prime minister at whim. Mr Yeltsin is still in office but his dominance is being undermined as an increasingly assertive parliament wrests more authority from him. He cannot in practice fire his new prime minister without provoking an even greater political crisis. And, with once strongly pro-Kremlin regional leaders calling for a "rebalancing of powers" between the executive and legislative branches, Mr Yeltsin is being forced to concede that his precious constitution may have to be rewritten.

For all this, however, it is evident that Russia today is a very different country from that of 1991 and that the new leadership cannot turn the clock back to the late Soviet era, even if it wanted to. Some achievements of Mr Yeltsin's regime may be dismantled but a few fundamental reforms are likely to prove longer-lasting.

Yevgenia Albats, an influential journalist, argues that for all his faults Mr Yeltsin has brought about some basic changes in Russia that the new leadership will not be able to ignore. He has, she says, lifted fear from the shoulders of the Russian people, bestowing on them the gifts of freedom of speech and religion and the opportunity to own property, travel abroad, and take responsibility for their own lives.

"Russia was a country of slaves for centuries . . . I know what it is like to be bugged, to be followed, to live in fear," she says. "But I am the mother of a 10-year-old daughter and I am not afraid that tomorrow she will find herself in the Gulag. That is a tremendous achievement."

The critical question is not about Primakov's intentions, but their likely consequences

It is one that is likely to limit any attempts by the government to confiscate large amounts of private property without compensation. It also means that the government will not be able to easily impose Communist-era techniques of force and oppression in dealing with black market traders who attempt to circumvent future price controls.

For his part, Mr Primakov denies any intent of pursuing a "Red Revenge" and argues Russia must reshape rather than uproot the reform process. He has called for more emphasis to be placed on the "consolidation of society" and the development of the "real economy" rather than fruitless financial speculation. Trained as he was in the theory of dialectical materialism, Mr Primakov appears to believe that the historical thesis developed in Soviet times combined with the anti-thesis of the Yeltsin era will now produce a synthesis under his administration.

"Consistency in pursuing the policy of reforms is guaranteed. Nobody should have any doubts," he said in a recent television interview, praising the development of a commercial banking sector and the temporary achievement of macro-economic stability over the past few years.

But he added that such accomplishments should not be regarded as ends in themselves. "All this should serve the development of the national economy, the development of industry. The purpose is that people should be paid their wages, should have employment."

Andrei Illarionov, a liberal economist, argues that the single greatest advantage for Mr Primakov's government is that it has been overwhelmingly endorsed by parliament. That gives the new prime minister a chance to forge a new political consensus, is essential to pass much-needed legislation. Already, Mr Primakov has been able to entice some young reformers from the moderate political movement led by Victor Chernomyrdin, a former prime minister, into his government: they could give it a more modernising thrust and maintain relations with the International Monetary Fund.

"Perhaps for the first time in recent years we have a working, if extremely ineffective, mechanism of parliamentary democracy," says Mr Illarionov.

The critical question, though, is not about Mr Primakov's intentions, which seem reasonable, but their likely consequences. Though it is still too early to assess the final shape of the government and its economic policies, there are already some grounds for doubt.

The safest assumption is that Mr Primakov will not attempt to plunge back to central planning but steers towards a "middle way" between state control and free market. That is similar to the temporising policies pursued by Mr Chernomyrdin as prime minister between 1992-98.

"The middle way was what Chernomyrdin was doing for the past five years but I do not believe we can pursue that road any more," says one former minister. "The choice is either between more inflation and Soviet-type approaches or real reforms, bankruptcies, a balanced budget, and a stable currency. I hope the new government will reform themselves once they are in the job."

Otto Latsis, a former adviser to Mr Yeltsin, argues that the academic economists who are advising Mr Primakov may be perfectly "reasonable and intelligent". But he believes they still fail to understand some of the basic functions of a market economy. In particular, the effects of printing money on prices and effects of inflation on the economy.

High levels of inflation, which would appear to be the inevitable consequence of their demands to print money, would kill not cure the "real economy", he argues. A politician can no more overcome these basic laws of economics than defy the laws of nature.

"Sometimes it happens that it is impossible to do something but that politicians do not know it is impossible to do it," he says. "It is impossible to turn back Russian economic policy to a system of Gosplan-style planning but they may try. And the result will be a very high price for all of Russia."

In the late 1980s, Mikhail Gorbachev often said that the old system was dying but the new one had not been born. Similarly, Mr Latsis argues that Mr Yeltsin's era is coming to an end but that the outlines of the next era have not yet emerged. Mr Primakov, he says, has one last chance. "If this chance is not taken then in a certain time it will be the end of democracy, the end of political liberalism and the problems will be solved by a Russian Pinochet."

The task for Mr Primakov is to preserve the best of Mr Yeltsin's ambiguous legacy while eliminating the worst. In the midst of an ever-deepening financial crisis that is a Herculean challenge.

OBSERVER

Hanover trails tunes of glory

There's not a lot of harmony in Hanover as the bands rehearse for German Unity Day on October 3. The anniversary of reunification is usually an occasion for consensus, reinforced by speeches of mind-numbing tedium, but this year there's discord over a 15-minute piece of music entitled *Variations on the Theme of Germany*.

The "anthem-mix" prepared for the gabfest features extracts from Germany's national anthem, local ditties *Song of the Marsh Soldiers* and *Goodbye Johnny*, and a few bars from the old anthem of communist East Germany, which is a great tune, even if the title – *Risen from Ruins and Facing the Future* – might have puzzled many citizens of the former GDR.

With a general election next weekend, the Red refrain wasn't going to go unremarked by Chancellor Helmut Kohl's political allies, especially as Hanover is the power base of Kohl's challenger, Gerhard Schröder, who's nominally in charge of the fun and games.

Bavaria's prime minister, Edmund Stoiber, is even threatening to celebrate German Unity Day by pulling his state out of it altogether. But there's still time for a compromise to be orchestrated, so that everyone can get together and sing from the same songsheet.

Bricklayer

Ever since Ole Kirk Christiansen hawked stepladders, ironing boards and wooden toys around Denmark in the 1930s, Lego has been under family control. But now his grandson, Kjeld Kirk Kristiansen, is hinting that taxation minister Ole Stavad's inheritance tax reform might drive the maker of plastic bricks into the arms of an international rival.

Given that the number of Danish global brands can be counted on two fingers – the other is "probably the best lager in the world" – the implied threat might lose Stavad some sleep.

Kristiansen has been built into the family business since he appeared on a Lego box lid in the 1950s, so threatening to get rid of the whole bag of bricks is a serious matter. But Denmark's richest man and former pipe-smoker of the year is a sprightly 50. So the betting in Copenhagen is that, by the time his children take over, Stavad will be just another forgotten politician and the tax laws will be framed to keep Lego Danish.

In the shade

Life isn't a beach for Nikos Skoulas, who quit yesterday as chief executive of Greek state tourism organisation EOT.

A man who prefers to go with the flow, he returned to Greece from Canada – where he ran a supermarket chain – in the early 1980s to help build socialism. As EOT boss, he tried to follow Yugoslavia's money-spinning example and introduce nudist resorts in Greece but was forced out after Greece's powerful Orthodox bishops objected.

Skoulas switched horses under a right-wing administration to become general manager of Mega, Greece's first private-sector television station. But when the Socialists got back in, he landed up at EOT again.

This time, the opposition was down the corridor. EOT's hardline union has been fighting Skoulas over his latest wheeze: leasing prime tourist properties for development by big international operators. Germany's TUI group has already snapped up a decaying spa in spectacular surroundings in western Greece.

Time for Skoulas to take a holiday? *We'll see.*

Musical drama

It seems that one high-flying US recruit isn't enough for London's Royal Opera House – the Limeys are determined to get two.

It's not all sweet music around Covent Garden these days – the company has just been closed for a year under a "rescue" plan which has upset the company's powerful unions. That hasn't stopped Michael Kaiser leaving American Ballet Theater to take over as executive director this November.

Kaiser, 44, a one-time opera singer and management consultant, is a workaholic arts junkie who has since devoted his life to turning round arts outfits.

Not content with luring Kaiser across the Pond, Covent Garden chairman Sir Colin Southgate isn't taking No for an answer from Sarah Billinghurst, artistic director of the Metropolitan Opera in New York: he wants her for a similar role in London.

A determined Southgate is off to the Big Apple next week to sweet-talk her. She'll want to know that she's not just swapping continents to witness the Royal Opera's curtain call.

Portion control

Alcatel chairman Serge Tchuruk was in surprisingly good form yesterday morning, considering he had just announced a profit warning that would knock spots off the French telecoms equipment group's share price.

Asked about rumours linking Alcatel with Lucent Technologies of the US, the man from Marseilles reeled off a list of household names that Lucent was rumoured to be interested in gobbling up – morsels like Nokia and Siemens. He concluded simply: *"Bon appétit."*

Of course, Alcatel had become a much smaller mouthful by the end of the day.

The Financial Times 50 years ago

Tax Plan In France
Paris, Sept 17. The Finance Committee of the National Assembly to-day adopted with slight modifications the principal articles of the Finance Bill, in particular the increase in the ordinary income tax and the tax on industrial and commercial and agricultural profits. This decision augurs favourably for the vote in the Assembly itself, which will examine the Bill to-morrow. The two principal Government parties, the Socialists and the M.R.P., have pronounced themselves in favour of the Government's plan, subject to the condition that the authorities will take energetic action to lower the price of meat.

Assassination Of Bernadotte
Amman, Sept 17. Count Folke Bernadotte, United Nations mediator, was assassinated in Jerusalem to-day. U.N Headquarters in the Holy City gave the news in a message received here to-night. Unconfirmed reports said that uniformed men killed Count Bernadotte and a companion as they were crossing into the Jewish area. The Count was to have delivered his report on Palestine to the General Assembly next week.

FINANCIAL TIMES
FRIDAY SEPTEMBER 18 1998

THE LEX COLUMN

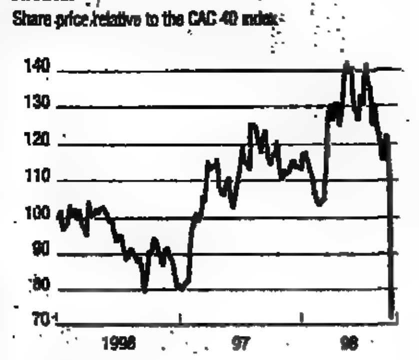
Alcatel ambush

Alcatel has done so much right in recent years. That makes yesterday's warning, which caused 20-30 per cent to be carved out of analysts' profits forecasts, all the starker. The news came only six weeks after the company reported first half sales that were mildly disappointing but not disastrous. Even more embarrassingly, the announcement came just three weeks after shareholders in DSC Communications agreed a stock-for-stock takeover by Alcatel worth over $4bn.

Alcatel says it could not know then what it does now – that hoped-for orders worth around Fr5bn will not materialise. This seriously dents management credibility. No other European telecommunications equipment manufacturer has been caught short to this extent. Alcatel insists the lost orders are not due to a fall in market share but to crisis in Asia and Russia and stalled investment in Germany. This is hardly reassuring. First, it raises questions of internal controls and the degree to which management were fed a rose-tinted view of the status of potential orders. Second, investors must fear that Alcatel may lose its grip on its traditional customers like Deutsche Telekom, which is undecided which new technology to plump for.

Although much of Alcatel's agony may be of its own making, it does ram home that Europe's industrial giants are not immune to the chaos in emerging markets. Hence, the chill that descended on European equity markets yesterday – with telecoms manufacturers faring especially badly. Continental Europe may have better short-term economic prospects than virtually any other part of the world. But most of its quoted companies are still exposed to international markets.

Alcatel
Share price relative to the CAC 40 index



Source: Datastream/ICV

British Aerospace

Not even blisteringly strong results can reverse the rout in British Aerospace shares. Having fallen 40 per cent from their May high, they stand 30-40 per cent below most break-up valuations. This has been a harsh correction. With a £23.8bn order book – representing nearly three years' sales – BAe enjoys a visible and high quality earnings stream. And since its defence business makes it less cyclical than other general manufacturers, it seems a steal trading at less than 0.3 times its order book and 12 times 1998 forecast earnings. Pre-exceptional earnings growth of 25 per cent is, after all, rare in current conditions.

Given Airbus's recent emphasis on profitability and no evidence of Boeing-style production difficulties, fears on this count seem overdone. Indeed, BAe's commercial aerospace arm showed its first profit for many years in the first half. Nor should the £689m deficit at the operating cash flow level be a major concern. This mainly relates to lower oil-linked payments on the large Saudi Arabian Al Yamamah contract, which have always been made good in the past by cash top-ups. So buyers of the stock need not be deterred, especially with the prospect of further consolidation around the corner.

Argentina

As crisis has spread through Latin America, Argentina is being tarred with the same brush as Brazil. Bond spreads in both countries have soared and the Buenos Aires stock market has suffered even more than Sao Paulo's. Investors worry that Brazil could destabilise its smaller neighbour. Given Argentina's currency board system, which pegs the peso to the dollar at par, speculators would then have a tempting target to shoot at.

There are superficial similarities between the two. Both have twin budget and current account deficits and high debt. But the differences are more important. Argentina's fiscal deficit is just over 1 per cent of gross domestic product against Brazil's 7 per cent. More importantly, Argentina's $110bn of foreign debt is only 30 per cent of GDP and mostly medium and long-term. Only $11bn falls due next year. In preparation, the government is busily arranging a $6bn standby loan from the World Bank and even roping in domestic pension funds to buy more bonds. Meanwhile, there is only $3bn of short-term domestic debt that is vulnerable to rising interest rates – in stark contrast to Brazil.

Argentina's dependency on Brazil is also a bit of a myth. Exports to its neighbour amount to barely 3 per cent of GDP. Of course a shock in Brazil would hurt Argentina and probably lead to a recession. But given its strong fundamentals, the country and its currency board should weather the storm.

High yield bonds

Europe's fledgling high-yield bond market is grounded. Transactions were running at about twice the level of 1997, fed by leveraged buyouts, but now several refinancing issues are stymied. For existing bonds, yield spreads over government paper have widened dramatically. IPC Magazines' bonds, for instance, now yield roughly 750 basis points over 10-year gilts – more than double the spread at issue. At these levels, buyers should be stimulated. But they will want to believe markets have stabilised and that recession is not going to hit profits in businesses where interest cover may be only two times.

Meanwhile, banks stuck with bridging loans that their clients are unable to refinance are also facing a squeeze. Barclays, for example, has found itself in such a position in its loan for the Kappa Packaging buy-out.

Where there are penalties in the loan contracts – ratcheting up rates if refinancing is delayed – there is some compensation. But European banks have too often failed to put in such conditions.

All this spells higher financing costs: more equity, less debt, with higher risk premia on each layer. Buyers will have to be meaner, but that is fine because businesses are cheaper. And Europe's corporate bond market should get its slice, especially if banks build in big disincentives to hang around on the bridge.

Madrid sceptical over Eta ceasefire announcement

Basque separatists urge Spanish government response to truce

By David White in Madrid

Spanish government and opposition leaders yesterday reacted warily to the announcement of an indefinite ceasefire by Eta, the Basque separatist group, questioning whether the organisation genuinely intended to end its 30-year armed campaign.

In a move ostensibly aimed at launching a Northern Ireland-style peace process, Eta called an "unlimited suspension" of attacks, starting today. Without laying down specific conditions it hoped the government would take steps "of the same magnitude". It would then decide whether to move on to a definitive ceasefire.

It was the first truce declared by Eta without a fixed time limit. The announcement came almost three months after its last car bomb, which killed a local politician from Spain's governing centre-right Popular party. Eta's campaign has claimed about 800 lives since 1968.

José Maria Aznar, Spanish prime minister, in Peru on an official visit, said he would seek talks with all political parties to establish a unified position on the initiative. But he warned of the risk that hopes created by the ceasefire decision would turn to frustration. It was up to the organisation to prove its sincerity. "Eta cannot be given the benefit of the doubt," he said.

The government earlier emphasised it did not want to raise expectations about peace in the Basque country and voiced "profound scepticism" over the move, made in the run-up to Basque regional elections next month.

Jaime Mayor Oreja, interior minister, called for "caution and prudence" and said it would take time to judge Eta's sincerity, especially once the elections were over. He insisted on the need to stand by the Basque region's current home-rule arrangements.

His statement came after a meeting with Socialist opposition leaders, who reacted in similar tones. Joaquín Almunia, Socialist party leader, said this would not be the first time Eta had generated expectations that were later disappointed. "Eta has not given up arms," he said.

But many Basque politicians and the Spanish Communist party greeted the news as an opening for peace negotiations, and the region's government called on all parties to prove themselves "equal to the circumstances". Xabier Arzalluz, leader of the Basque Nationalist party, which had been striving to obtain a ceasefire pledge, said the initiative was a cause for "relief and joy" but cautioned it could be "the first step in a long obstacle race".

Political observers said Eta's announcement gave no indication of readiness to compromise on its political platform. The organisation reiterated its aim of an independent state including part of southwest France, severing links with both Paris and Madrid.

It also said it would keep up what it called its "structures", and it is thought it may want to use a ceasefire to rebuild its military strength, depleted by recent police swoops.

Basques learn lessons, Page 3
Editorial Comment, Page 13

Parties agree to keep 'salacious' details of Starr report under wraps

By Richard Wolffe in Washington

Republican congressmen yesterday said the Starr report contained "salacious details" in additional documents that should not be released to the public.

In a rare sign of agreement between both parties, members of the House judiciary committee indicated they would not publish more explicit accounts of the 18-month affair between President Bill Clinton and Monica Lewinsky, the former White House intern.

The reluctance to publish further intimate details of the affair emerged as the committee was preparing to release video tapes of President Clinton's evidence before a grand jury last month.

Kenneth Starr, the independent counsel, accuses Mr Clinton of committing perjury in his grand jury testimony in an attempt to cover up an earlier charge of perjury in the Paula Jones sexual harassment case.

Steve Buyer, a Republican member of the House judiciary committee, said there was an agreement that "certain information" should not be made public among more than 2,600 documents filed as additional material by Mr Starr.

"Many of you may think that Judge Starr's referral contained details," he said. "I will submit to you it did not. And many of these salacious details really have no place in the public domain. Everyone understands the seriousness and the gravity of the moment."

Democrats argue the release of the tapes is designed to embarrass the president and the party. They fear the tapes show Mr Clinton reacting angrily and evasively to questions about the Lewinsky affair.

But Republicans insist the tapes – rather than transcripts – are essential evidence in assessing whether the president lied under oath before the grand jury.

The White House has not protested against the release of the tapes, which Mr Clinton said he always expected to take place.

The judiciary committee appeared certain to approve the release of the four-hour tapes yesterday, but practical issues of copying and distribution meant television networks were planning to broadcast them today.

Meanwhile, Democrats and Republicans agreed to take steps to elevate the political debate in November's mid-term congressional elections. Both parties said they would block funds for candidates who made personal attacks on their opponents.

John Linder, chairman of the national Republican congressional committee, said: "We both have agreed that responding is acceptable, but initiating a personal attack on anybody running for office is simply off limits. We are soon going to have no one of any stature willing to put themselves through this wringer."

Videotape debate, Page 4

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A Vickers worker at Newcastle upon Tyne, where the company plans to transfer production of its Challenger 2 main battle tank from Leeds. The two north of England factories will shed 650 jobs. Page 9

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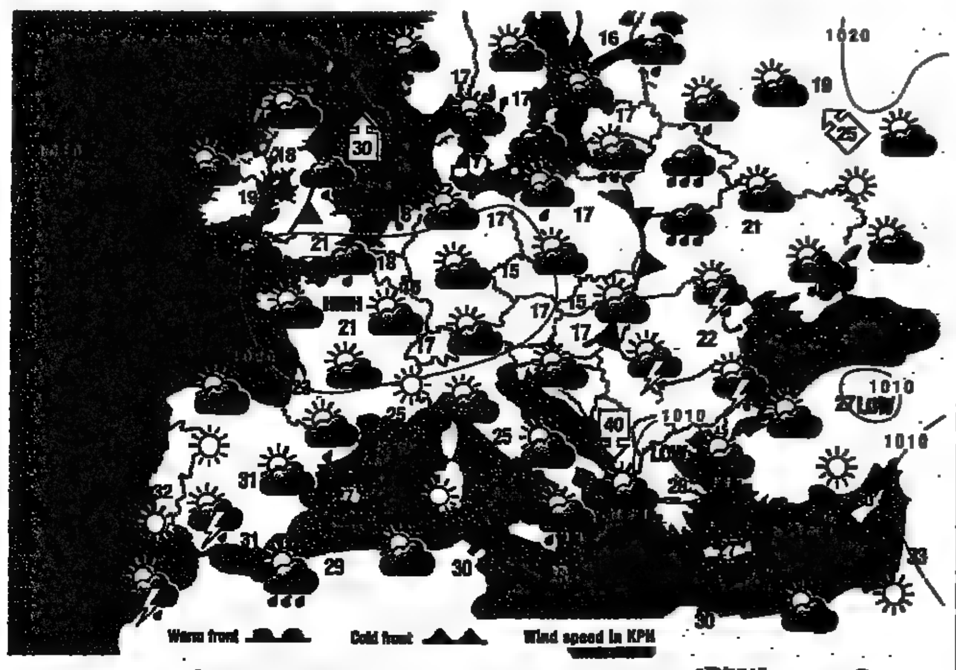
FT WEATHER GUIDE

Europe today

Scandinavia will have showers in the west, but the south will be drier with sunny spells. Northern areas will have rain, and steadier rain will move into the west later. Parts of eastern Europe will have rain and the Low Countries will become cloudy later with patchy rain. Central and western Europe will be sunny and warm. The Iberian Peninsula will be mostly sunny, but there will be showers in the south and east with some thunder. The eastern Mediterranean will have thundery showers.

Five-day forecast

Scandinavia will be mostly dry on Saturday. Thereafter, it will be wet in the west but dry in the east. Central and western Europe will stay warm and sunny, but showers will continue to affect the Spanish resorts. South-east Europe will have outbreaks of thundery rain.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	40
Accra	Fair	31
Algiers	Shower	29
Amsterdam	Drizzle	18
Athens	Shower	28
Atlanta	Fair	31
B. Aires	Sun	10
B.ham	Fair	20
Bangkok	Shower	34
Barcelona	Fair	25
Beijing	Fair	28
Belfast	Fair	19
Belgrade	Shower	20
Berlin	Fair	17
Bermuda	Fair	29
Bogota	Shower	19
Bombay	Shower	30
Brussels	Drizzle	18
Budapest	Shower	17
C.hagen	Fair	17
Cairo	Sun	33
Caracas	Fair	31
Cardiff	Fair	19
Casablanca	Fair	27
Chicago	Fair	29
Cologne	Fair	18
Dakar	Shower	30
Dallas	Sun	31
Delhi	Shower	34
Dubai	Sun	39
Dublin	Fair	19
Dubrovnik	Thunder	22
Edinburgh	Fair	19
Faro	Sun	26
Frankfurt	Fair	17
Geneva	Fair	19
Gibraltar	Shower	25
Glasgow	Fair	18
Hamburg	Fair	18
Helsinki	Shower	18
Hong Kong	Fair	31
Honolulu	Fair	31
Istanbul	Sun	28
Jakarta	Fair	33
Jersey	Cloudy	20
Johannesburg	Fair	21
Karachi	Sun	37
Kuwait	Sun	43
L. Angeles	Fair	24
Las Palmas	Fair	28
Lima	Cloudy	20
Lisbon	Sun	32
London	Shower	21
Lux.bourg	Cloudy	16
Lyon	Fair	20
Madeira	Fair	26
Madrid	Fair	31
Majorca	Fair	27
Malta	Fair	28
Manchester	Fair	20
Manila	Thunder	32
Melbourne	Fair	19
Mexico City	Shower	20
Miami	Thunder	33
Milan	Sun	26
Montreal	Fair	22
Moscow	Shower	19
Munich	Shower	15
Nairobi	Fair	26
Naples	Fair	27
Nassau	Thunder	33
New York	Fair	25
Nice	Sun	25
Nicosia	Sun	30
Oslo	Fair	17
Paris	Fair	21
Perth	Shower	18
Prague	Fair	15
Rangoon	Rain	32
Reykjavik	Rain	11
Rio	Fair	25
Rome	Fair	25
S. Frsco	Fair	28
Seoul	Sun	29
Singapore	Shower	30
Stockholm	Cloudy	17
Strasbourg	Fair	19
Sydney	Fair	20
Tangier	Shower	29
Tel Aviv	Sun	33
Tokyo	Shower	29
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Zurich	Fair	17

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RICHARD DONKIN

Nurture vs nature

Some psychologists believe ingrained behaviour will always dominate office life

Talent does not exist. It is a myth which should be demolished, a study said last week. The research, led by Michael Howe, professor of psychology at Exeter University, would appear to have important implications for recruitment and the development of individuals in the workplace.

The study challenges some enduring tenets underpinning most western educational systems, and the comparatively new ideas on evolutionary psychology that human behaviour is embedded in your genes.

Only last month in the Harvard Business Review Nigel Nicholson, professor of organisational behaviour at London Business School, argued that people were predisposed to adopt certain behaviour ingrained during the stone age.

By this argument the removal of designated parking spaces and corner offices for executives, he suggests, is a waste of energy because it is natural, for men in particular, to seek out status and to establish hierarchy. The office, it seems, can be as symbolic of executive power as the throne is of kingship.

Prof Nicholson comes from a long line of behavioural geneticists who have tended to hold the whip hand in the development of selection processes for most of this century. He asserts that "there is little point in trying to change deep-rooted inclinations". Thus, with regard to leadership he concludes that "the most important attribute for leadership is the desire to lead".

This may hold true for the leader but does it hold for those who are led? It could be argued that the self-driven cult of the leader has been at the root of the 20th century's most destructive episodes. Is it wise for any organisation, be it corporate or governmental, to allow the natural emergence of leaders? Should not leadership, like any other executive function, be determined by the demands of the office?

The belief in predisposed behaviours does seem compelling, particularly when Prof Nicholson points out that any parent of several children is aware of the differing personalities among their brood. But how can it be squared with the theories of those, like Prof Howe, who argue that excellence is not inborn but determined by a variety of factors such as opportunity, encouragement and endless practice?

The Exeter research noted that the ability of violinists, for example, tended to depend on practice. Equally, practice appeared to ensure that waitresses could remember far more drinks orders than a control group of students. It was wrong to assume, therefore, said the report's authors, that a person needed talent to reach high levels of ability.

It seems a shame that academics should adopt such polarised views but after listening to a talk by Edward de Bono given to the Academy for Chief Executives in London last week it is no longer surprising. Mr De Bono suggested that sometimes people can know too much. "A lot of people with high IQs get stuck in the intelligence trap," he said.

"They have a point of view and the more intelligent they are the better they are likely to be at defending their argument. Many excellent minds are trapped in poor ideas. That is not excellent thinking."

This could be one of the problems of the nurture versus nature debate. If one side were to suggest that the search for talent can be misplaced it might find many more in agreement. In the same way personality traits could be accepted more readily if there was greater acceptance among those attracted to the idea of genetically inspired behaviour that people can also be moulded by their environment.

What is the point of intelligence, after all, if it supports a conviction that turns out to be wrong? Wasn't it Keynes who admitted: "When the facts change I change my mind. What do you do sir?"

Leap in US CEO pay

The extent to which the salaries of US executives have shot ahead those of other workers in the past 10 years has emerged in a new compilation of employment statistics.*

The pay of US chief executives, including bonuses, grew by 44.6 per cent between 1989 and 1997, far beyond that in any other occupation. The biggest leap occurred in the recovery years between 1992 to 1997 when chief executive pay rose 36.6 per cent.

These figures do not include profits made on share options. If these are taken into the calculations the full compensation of chief executives doubled over the 1989-97 period, growing by 71 per cent in the five years after 1992.

The clearest illustration of the growing gulf between the pay of US executives and other workers is the increasing ratio of chief executive pay to that of the average worker. In 1978 the chief executives of large US companies earned 28.5 times more than an average worker. In 1989 it had grown to 56.1 and by 1997 it was 115.7. In 1997 a chief executive needed to work half a week to earn what an average worker earned over a whole year.

As the authors demonstrate US executive pay has not only forged ahead of other workers' pay, it has been moved well ahead of that available for executives in other countries.

This is demonstrated by the index on the right hand side of the table here which sets US pay equal to 100 so that any index value less than 100 shows that a country's executives earn less than those in the US.

The authors point out that the index shows that US chief executives earn double the average of the 12 other industrialised countries in the comparison and no country has executives which get paid as much as 60 per cent that of their US counterparts.

The State of Working America 1998-1999, Economic Policy Institute, tel 001 202 775 8810, to be published in January by Cornell University Press

richard.donkin@FT.com

CEO pay in advanced countries

	CEO compensation			Ratio of CEO to worker pay, 1997	US pay relative to foreign pay, 1997 US = 100	
	1988 $000	1997 $000	% change 1986-97		CEO	Worker
Australia	154.7	476.7	208.20	19.0	62.9	79.9
Belgium	328.3	470.7	43.4	13.0	52.2	134.3
Canada	362.2	440.9	21.7	13.0	48.9	91.7
France	346.0	523.5	51.3	15.0	58.1	99.6
Germany	352.7	423.9	20.2	11.0	47.0	169.7
Italy	293.1	450.3	53.7	19.0	50.0	94.5
Japan	438.1	397.7	-7.5	10.0	44.1	125.3
Netherlands	339.2	442.9	30.6	14.0	49.1	122.3
Spain	301.2	333.8	10.7	15.0	37.0	67.0
Sweden	200.8	340.7	69.7	11.0	47.8	110.0
Switzerland	436.9	465.2	6.5	10.0	51.6	145.2
UK	388.0	489.7	26.2	18.0	54.3	79.6
US	689.2	901.2	30.8	24.0	100.0	100.0
Non-US average	327.6	438.0	33.6	13.8	48.6	108.1

Source: The State of Working America 1998-99

WORKING BRIEFS

Service to help personnel managers cope with Emu

Watson Wyatt Worldwide, the human resources and benefits consultant, has launched a service to help personnel managers cope with European economic and monetary union.

The service will concentrate on personnel, pay and benefits issues – such as polices on pay parity across Europe – that companies will need to have addressed before the euro comes into operation on January 1 1999.

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Social security

An even greater problem than the euro could be the way companies can be caught out by changes in social security laws aimed at shifting the burden of retirement benefits from the state to the corporate sector. A new report from Towers Perrin shows that reform of national social security laws can have a serious impact on company overheads.

Recent reforms in France, it says, increased the liability of one multinational from £6m to £24m. A restructuring of Mexico's social security last year increased costs for some companies by millions of dollars.

"Sweeping change in public and private programmes is a truly global phenomenon," says Nigel Bateman, head of the firm's UK-based international benefits consulting practice.

The report, Retirement Income Around the World, analyses retirement systems in 17 countries, ranking them in terms of the percentage of overall benefits provided by private employer plans. The UK is third in the rankings behind Hong Kong and Australia but ahead of the Netherlands, Canada and the US

Details: 001 800 525 6741

Higher salaries

Job market data collected by the UK's Federation of Recruitment and Employment Services in August suggests that a tightening labour market is continuing to drive up salaries and that in spite of recession fears demand for staff in most sectors is still high. The only evidence of an easing of recruitment growth is a slowdown in demand for unskilled manufacturing workers.

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- A background in the financial services sector, whilst not essential, would be highly beneficial.
- Personal qualities will include a first class intellect, an analytical and numerate mind, strong leadership skills and a highly commercial approach. Candidates must be flexible, prepared to travel and willing to relocate in due course. Language skills would be distinctly advantageous.

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Equity Capital Group is the private equity arm of GE Capital, one of the largest and most diversified companies in the world. GE Capital is itself a division of General Electric*, one of the most formidable enterprises in the world with global manufacturing, technology and service operations.

Equity Capital Group will make $700m of private equity investments in 1998 in a wide range of businesses, bringing not just money, but access to the world-wide resources and expertise of its parent companies. Particular focus areas include Telecommunications, Media, Financial Services, Transportation and Manufacturing. Investments are made across Europe from a Head Office in London and local offices and we recently opened in Frankfurt.

Our expansion calls for an experienced **Business Development Associate** to assist in the origination and be responsible for the evaluation of potential investments in Germany. You will have a business/numerate degree/MBA and proven financial analytical experience. **Fluent German and experience of the German domestic market and culture is essential.** Private equity transaction experience is not required, but your experience must include 2-3 years working on corporate finance, M & A, structured or project finance transactions.

You must enjoy working in a small team and be self-sufficient. GE Capital is firmly committed to a policy of career progression within the group world-wide and other major European languages in addition to German and English will be an advantage.

An excellent package will be negotiable.

Please write in English to our advising consultants at the address below enclosing a copy of your CV and current salary details, quoting ref: EPE7806/FT
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You will be a graduate, with a good honours degree, and at least three years' sound career progression and achievement within a blue-chip industrial or professional environment. Previous experience of a client-facing role would be a distinct advantage, as would familiarity with advanced or emerging technologies.

The role demands strong commercial acumen combined with the ability to build effective, long-term business relationships with the senior management of investee companies. To meet this challenge you will require first-rate analytical skills, drive, empathy and resilience.

In the UK we are looking to recruit candidates across all regions.

Opportunities also exist across Continental Europe for candidates with relevant multi-cultural experience and language skills.

These are outstanding career opportunities offering excellent rewards both in terms of remuneration and professional challenge.

Please reply in confidence, enclosing a full curriculum vitae, current salary details and quoting reference B2048, to: The Managing Director, Alexander Hughes Selection, 14-16 Lower Regent Street, London SW1Y 4PH or you can e-mail us at baldwin@ahslondon.co.uk

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FAST EXPANDING INVESTMENT MANAGEMENT ARM OF GLOBAL FINANCIAL SERVICES ORGANISATION

For this new appointment we invite applications from graduates with 4-6 years' experience of retail marketing within the financial sector. Exposure to available marketing tools and regulatory issues affecting the spectrum of sales to the retail market will be important. A second European language, preferably **German or Dutch**, will be key. Due to the rapid expansion of the Pan-Continental Europe distribution our client is looking for a highly motivated self-starter to report to, complement and support the European Retail Sales Co-ordinator. The overall market covers UK, France, Italy, Germany and Benelux. However, your main focus is expected to be Germany and the Netherlands. Specifically, your role covers: supporting the launch of the funds in the above locations; assisting in the product innovation and implementation process; devising imaginative marketing tools as well as driving participation in Internet sales activities. Essential qualities are high energy levels, flexibility, an entrepreneurial approach to European market development and the ability to work as solus operator as well as a team member. 25% away travel should be expected. Initial salary negotiable in the range £50,000 - £70,000, plus performance related bonus and large company benefits. **Applications in strict confidence under reference EMD7799/FT to the Managing Director, CJA.**

Equity and Investment Banking

Our client is one of Europe's largest banking institutions. Their stockbroking arm is seeking to recruit two senior individuals:

Business Manager

This role is key to the growth and strategy of the business and will encompass global responsibility for systems, operations risk management and finance functions. The candidate will join the senior management team of the Equity and Investment Banking business, initially focusing on developing and running a detailed management information system which will increase in sophistication over time to facilitate efficient management of the business.

Extensive experience at senior management level, plus an advanced knowledge of the equity markets and the ability to build a sophisticated MIS is therefore essential.

Candidates should be of MBA calibre, fluent in English, German and have at least one other European language.

Global Head of Marketing

Reporting to the Global Head of Equities, the candidate will be responsible for building up an account management system to optimally service the global client base with the full equity product range of the business. The role will extend to managing the activities of the sales teams on an integrated basis.

Candidates must have a proven track record in global equity sales distribution and will be able to demonstrate excellent man-management skills. They must also be fluent in English, German and at least one other European language.

Competitive packages including bonus and full benefits are available for the successful candidates.

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A leading Global Investment Bank seeks exceptional salespeople with at least 3 years experience in Fixed Income Sales to Institutions or Hedge Funds. Outstanding individuals are required to cover new and existing clients in Switzerland / Germany / Italy. Your own client base would be an advantage.

A comprehensive technical knowledge of Fixed Income / Structured / Derivative Products, coupled with presentation and marketing skills gained within a Bond Sales / Trading role are required. A relevant second European language is essential. Applicants should have excellent academics, good communication skills and the ambition to succeed in a dynamic, meritocratic organisation.

Please send CV or contact Ingrid Gottschalk at Rizwan Nash, 21 Ellis Street, London SW1X 9AL
Tel: 0171 730 4211 Fax: 0171 730 0611

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We are a privately held industrial and services group. A truly global player, our business operations grow continuously generating sales of about US 1 billion. Our activities are organized in four regions, i.e. Europe/Middle East/Africa ; Asia/Pacific ; North America ; South America.

To support our Chairman & Owner and the General Manager of our holding companies with the formulation of corporate strategy, the control of operations and investments and the implementation of state-of-the-art financial management tools we are recruiting

- **Assistant to the Chairman** (ref. AC/01)
- **Assistant to the General Manager** (ref. AG/02)

You will assist our Executives in their business development and portfolio-optimization efforts. You will be entrusted with investment and acquisition briefs and analytical projects. At a central position within our organization you will recommend corporate decisions and monitor their proper implementation.

Furthermore, in a team coached by the General Manager, you will be given responsibility for devising the group's business plan.

You have an outstanding business education (IMD, IESE, INSEAD, US MBA) with a strong strategy, control and finance focus. At least 3 years of international experience in control & financial analysis or as a consultant or junior investment banker are required.

Fluency in English and at least two other word languages is a must. Your professional background is fully international and you are worldwide mobile and flexible.

The positions will be based in Europe with the possibility to relocate in another region at a second stage. You will enjoy a high degree of autonomy within a very active environment. Our Group offers exceptional opportunities for career advancement.

Please send your CV and accompanying letter, quoting the relevant reference, to our consultant who will arrange for you to attend an interview close to your current address :
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Please write to Mr Robin Edwards, Sabre Fund Management Ltd, Windsor House, 55 St. James's Street, London SW1A 1LA

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Fund Manager – Asian Equities (except Japan)

Reporting to the Senior Fund Manager – Asian Equities, the Fund Manager will manage an in-house Asian equities portfolio. The successful candidate shall possess a minimum of three years' experience as an institutional fund manager of Asian equities.

Financial Analyst – Asian Equities (except Japan)

Reporting to the Fund Manager – Asian Equities, the analyst will conduct research on companies in the region, make appropriate recommendations and participate in establishing the investment strategy. The candidate shall possess about three years' experience as an equity analyst of Asian companies, for an institutional fund manager.

Both positions require a university degree, preferably in Finance, and strong analytical and communication skills. They also require proficiency in English and, given the work environment, communication skills in French, which may be acquired within a reasonable period after hiring.

Applicants interested in taking up the challenge should forward their CV in confidence to: Human Resources, Caisse de dépôt et placement du Québec, 1981, avenue McGill College, Montréal (Québec) Canada H3A 3C7.

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Financial Times

Norges Bank, the Central Bank of Norway, is an executive and advisory body for monetary policy and has a key role in the country's payment system.

THE MARKET OPERATIONS DEPARTMENT

The Market Operations Department is responsible for effecting Norges Bank's transactions in the domestic money, bond and foreign exchange markets. The department has extensive contact with market players in Norway and abroad and performs analyses of the various markets and of Norwegian monetary and exchange rate policy. The department is also responsible for settlement, accounting and reporting procedures for its own transactions and for transactions executed by Norges Bank Investment Management as part of the management of the Government Petroleum Fund and Norges Bank's foreign exchange reserves. The department has two vacancies for:

Settlement Officers, Equities

As a consequence of Norges Bank Investment Management's plans to increase the breadth of the management of the Government Petroleum Fund, the Market Operations Department's Settlement and Accounts Section wishes to fill two permanent positions for Settlement Officers.

■

Responsibilities will be primarily associated with the settlement of Norges Bank Investment Management's trading in international equities and equity futures. The new Settlement Officers will also play a key part in the work of developing a centre of expertise in this field. There may also be tasks relating to settlement of transactions in international and Norwegian bonds and derivatives. The positions will involve extensive contact with correspondent and custodian banks abroad, with the settlement function of Norges Bank's counterparties, and with the management sections of Norges Bank Investment Management and the Market Operations Department.

■

Both positions will be at a senior level, and applicants should have a university degree or the equivalent in economics and/or business administration. Emphasis will be placed on relevant experience. In particular, emphasis will be placed on a sound knowledge of settlement and control of transactions in various types of financial instruments, primarily equity instruments, and knowledge of international securities settlement systems and payment systems, including SWIFT. Proficiency in English and Norwegian as well as a sound knowledge of IT will be required. The successful applicants must be capable of working independently and have a high capacity for work. Further information about the positions can be obtained from Mr Carl Jacob Vogt, Assistant Director, tel. +47 22 31 65 22, or Mr Thor Kristiansen, Assistant Head of Division, tel. +47 22 31 69 29.

■

Applications, including CV, copies of certificates and references, should be sent to Norges Bank, Market Operations Department, P.O. Box 1179 Sentrum, 0107 OSLO, **by 25 September 1998.**

NB NORGES BANK

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To continue this growth, we are developing our project/infrastructure financing activities, and will offer one-stop, comprehensive service for public-sector infrastructure projects throughout Europe. We are now establishing a new section for project/infrastructure finance, along with our international credit department in Dublin, and are seeking experienced financial professionals.

Credit Manager – Project/Infrastructure Finance

Assisted by a small team of senior credit officers, and working closely with our customers, the group headquarters in Wiesbaden and the rest of the Dublin credit department, you will establish and manage this new section, assuming full responsibility for its running. This Dublin based position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in managing and motivating finance professionals.

Senior Credit Officers – Project/Infrastructure Finance

These Dublin based specialists will analyse incoming proposals, recommend credit solutions, prepare opinion and decision papers for the credit committee, monitor contract performance, and fulfil credit-reporting requirements. You should have at least 3 years of solid credit experience, including public-sector project or infrastructure financing.

Senior Credit Officer – Risk Management

We are establishing a related activity at our group headquarters in Wiesbaden (near Frankfurt). Assisted by a small team of analysts, and working closely with the new project/infrastructure finance section in Dublin, you will assume responsibility for risk management in public sector finance, providing an independent opinion on financing proposals and closely monitoring our overall portfolio to control risk. This position requires several years of solid credit experience, including public-sector project or infrastructure financing, as well as proven success in leading financial professionals. Fluency in written and spoken English is essential; fluency in German would be a distinct advantage.

For all positions you must have a strong desire to work together with other financial professionals in an international team.

In addition to an exceptional challenge, we offer an attractive remuneration package as well as a world of opportunity in an expanding, international financial institution.

Please send your c.v., in confidence to:

For the Dublin positions: Dermot Cahillane, DePfa-Bank Europe plc, International House, 3 Harbourmaster Place, I.F.S.C. Dublin 1, Ireland

For the Wiesbaden position: Marita Schmitt, DePfa-Bank Group Paulinenstr.15 D-65189 Wiesbaden, Germany

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You will have three years' experience in investment management, researching international equities and providing recommendations. Highly academic, you'll need an MSc from a leading institution, ideally accounting or finance, along with excellent written and verbal presentation skills.

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We require an independent determined professional with fluent English. **Job location: ROME (Italy).**

Every aspect of the recruitment process will be directly dealt with by our Client, therefore, those who do not wish to be put in contact with specific companies ought accordingly state it in their reply to this advertisement, by writing "Private & Confidential" on the envelope.

The Curriculum Vitae of the applicants (complete with authorisation of personal data protection, according to Italian law 675/96) bearing the reference number, both on the letter and on the envelope, relating to the specific position of interest, should be sent "preferably" through guaranteed delivery to:

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SFA registered with a post-graduate degree (MBA) in finance and fluent in English and French, you will also ideally be a Chartered Financial Analyst. Solid experience of programming languages relevant to the trading floor, e.g. Visual Basic, together with a high degree of technical and product knowledge and strong modelling skills are essential.

Please write in confidence, enclosing a full CV and details of current remuneration, to Geoff Selby, Ref. GR/711, Roose and Partners Advertising Limited, 100 Gray's Inn Road, London WC1X 8AU. Fax. 0171-831 8761. Please list separately any companies to which your application should not be sent. The closing date for receipt of applications is 30th September, 1998.

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You will be able to demonstrate a strong interest in the media sector, the ability to work to tight deadlines, strong interpersonal skills and the ability to present information in a clear and coherent way.

A strong interest in, and/or experience of digital broadcasting and new media is essential.

For further details, please contact BBC Recruitment Services (quoting ref. 29365/F). To apply, please send your CV to BBC Recruitment Services quoting ref. by September 28th on 0181-740 0005, Minicom 0181-225 9878. Alternatively, send a postcard to BBC Recruitment Services, PO Box 7000, London W12 8GN, or e-mail recserv@bbc.co.uk quoting ref. 29365/F and giving your full name and address. Application forms to be returned by October 1st.

You can also see this vacancy on http://www.bbc.co.uk/jobs/e29365.shtml and apply online from our world wide web site.

BBC

Working for equality of opportunity

Sub-editor

Enskilda Securities is a leading specialist European investment bank with offices across the Nordic region and in London, Paris, New York and Frankfurt. As part of our commitment to the highest editorial standards in equities research, we are looking to appoint a sub-editor to join our expanding team. Based in London, the role involves editing reports written by our investment analysts.

You are likely to be a graduate with a background in financial editing, gained either in a financial services or publishing environment. You will be familiar with the principles of accountancy and company analysis, the workings of equities markets and have an understanding of macroeconomics. A meticulous approach, confidence under pressure and strong communication skills are essential qualities. Experience of Windows NT would be an advantage.

The post commands a competitive salary together with a wide range of corporate benefits and offers excellent career opportunities.

Interested candidates should send CVs to Judy Elmes, Personnel Manager, Enskilda Securities, 2 Cannon Street, London EC4M 6XX.

Enskilda Securities

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Pricing Analyst

City — **£Excellent**

Our client is an integrated money and securities broking group, providing a major source of information to financial markets and information providers. Its strong market presence is based on product innovation and a commitment to embracing technology to develop the electronic markets of the future. Its broking capacity extends through 27 of the world's financial centres, covering FX, Money Market deposits and derivatives and government and corporate bonds.

With European issues becoming increasingly significant, our client has expanded its product coverage in preparation for the Euro. Other expansion has included operations in Mexico, South Africa, India and the Czech Republic. The group has increased its use of screen based price discovery and arbitrage systems, leading the way in developing new opportunities.

An exciting opportunity exists for someone to join the Information Services Team as a pricing analyst based in the front office. This will involve the development of technical tools to deliver front office solutions to dealing floor staff, working closely to understand their technical requirements and aiding in the delivery and support of new products. This position requires a good understanding of the financial markets and the products traded, with an understanding of the mathematical formulae involved.

All applicants must meet the following requirements:

- A minimum 2.1 degree in a numerate subject.
- At least 3 years' banking experience.
- In depth knowledge of traded products.

Able to demonstrate excellent IT skills, you are likely to have gained your product knowledge from either a support or front office role within an Investment Bank.

The successful candidate will be rewarded with an excellent remuneration package and the opportunity to contribute directly to the success of the business.

Applicants should forward a CV, in strict confidence, to Julian Usher or Simon Hegarty at Walker Hamill Executive Selection quoting reference JU4580. Alternatively, immediate enquiries may be made to Julian Usher on 0171 839 4444, or via e-mail: jusher@walker-hamill.co.uk

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Senior Marketing Manager Africa

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Please send your resume or call confidentially: Oliver R Froment, Managing Director, Pro Capital Ltd., 9th Floor, St Alphage House, 2 Fore Street, London EC2Y 5DA, UK

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Explore European career opportunities — Open Days: 14 & 15 November, Brussels

The highest market value industrial company in the world, GE operates in 12 key businesses as diverse as manufacturing, media and financial services. AAA-rated and founded on the basic principles of value, service and productivity, 1997 revenues were up 13% to $90 billion and operating margins exceeded 15% for the first time in the company's 120-year history.

Continuing growth, achieved organically and by acquisition, provides exceptional opportunities for both finance and business professionals. GE is holding two open days to enable candidates to meet some of the company's European business leaders and hear about a range of challenging international roles.

Change Management/Quality

One of the drivers of GE's impressive growth is its Quality initiative. Under the banner of "Six Sigma," GE is seeking to achieve a level of performance close to perfection in every part of every GE business. A massive investment in time, money, leadership and talent -$450 million on training alone in 1998 - the returns are enormous. From a standing start three years ago, projects will have generated benefits of $2 billion by the end of this year and continue to provide opportunities for share growth, higher margins and improved products and services.

Success in these projects opens up exceptional opportunities. Project Leaders with demonstrated achievements in Six Sigma have become highly sought-after candidates for senior leadership roles within GE.

Projects cover all GE products and services, demanding a range of experience which can include change management, project leadership, process improvement or re-engineering skills. Candidates must have 2-8 years' experience in a major international company or professional practice and the ability to lead change and inspire others to achieve excellence.

Finance

GE's outstanding performance demands individuals who combine superb finance skills with high levels of energy, enthusiasm and integrity. Throughout Europe, GE businesses require finance professionals at a range of levels who have the ability to lead and energise others and to drive change in an open and dynamic culture.

Working cross-functionally, roles include Quality and Marketing Finance, Controllership, Financial Planning and Analysis, Taxation and support for GE's acquisitions and integrations throughout Europe. These roles provide the opportunity for fast-track progression throughout GE for talented candidates with the potential and confidence to move into senior finance positions.

Between 2-8 years' finance experience in an international environment, a record of academic and career achievement and a real passion for excellence are all critical to success.

If you would like to attend an open day or find out more please write to the address below, enclosing a copy of your CV and current salary details, quoting ref: 302 to: Alderwick Consulting Ltd, 35 Fetter Lane, London EC4A 1EP. Fax (+44) 171 242 3560. For more information call them on (+44) 171 242 9191 (weekdays) or (+44) 966 119056 or (+44) 1732 811249 (evenings and weekends) Any application sent direct to GE will be forwarded to Alderwick Consulting Ltd.

USA*

GE

GE is an equal opportunity employer.
** Not associated with the English company of the same name.*

FINANCIAL TIMES
No FT, no comment.

NEWLY QUALIFIED ACCOUNTANTS

CENTRAL LONDON — HIGHLY COMPETITIVE PACKAGES

The Financial Times Group sets the standard as the international business community's authoritative source of global business news and analysis. Part of Pearson plc, which includes Pearson TV, Penguin Group and the Tussauds Group, the FT Group has a turnover in excess of £600m. With the continued growth of the FT brand into new territories and media, this is an organisation that provides individuals with the opportunity to reach their full potential.

As a result of future growth plans, the need has now arisen to recruit a high calibre Chartered Accountant.

Reporting directly to the Financial Controller the requirement is for a finance professional who has that rare mix of commercial awareness and technical ability to work alongside specific business teams. The right person will profit from exposure to a multinational commercial environment and hands-on experience.

The opportunity is to join a fast-track programme, giving exposure to a number of different roles in a variety of businesses within the Group.

The successful candidate will be a qualified accountant with no more than two years' post qualification experience.

You will be a strong communicator driven by results, with exceptional leadership skills and the ability to influence and support colleagues towards achieving business objectives.

If you seek to advance your career in a world class organisation, please send your Curriculum Vitae stating current remuneration to Kacey Young or James Bacon at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 8867. Fax: 0171 915 8714.
E-mail: kacey.young@robertwalters.com or james.bacon@robertwalters.com
Web: http://www.robertwalters.com
You may also apply via http://taps.com/Robert_Walters quoting reference RW182.

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LEISURE PROPERTY PLC
DYNAMIC MARKET LEADER

WEST END — £ EXCELLENT

1998 promises to be the most profitable year to date for the undisputed leader in the leisure property market. Having made a firm commitment to sustainable business growth, the organisation is looking to recruit senior finance professionals with extensive experience in the property development sector

DEVELOPMENT ACCOUNTANT

Critical to the success of this high profile role will be the ability to work closely with UK and European development surveyors, obtaining pertinent information and portraying it in a relevant manner. As part of the senior management team, the individual will have the opportunity to make an immediate and considerable impact on the future direction of the business. Key responsibilities will include:

- full cash flow and balance sheet forecasting on a three year rolling basis
- European and development cash flows and subsequent effects on taxation
- monitoring lease and rental positions to assess maximum bank borrowing
- attendance at weekly development meetings
- reviewing loan interest and associated costs
- assessing development costs to date against forecast and budget

Working hand in glove with the group finance director, the candidate will combine a pragmatic approach to problem solving with a desire to expand the boundaries of the role. Well developed IT and modelling skills will ensure the success of current and future development projects. The ideal candidate will be a qualified accountant with at least three years' post qualification experience in a commercial or financial services environment.

PARTNERSHIP FUND ACCOUNTANT

In order to facilitate further expansion, the company is committed to the establishment of a leisure fund partnership. With assets planned to grow to £300m, the partnership will create and invest in a number of exciting new leisure developments. Core to the success of the partnership will be the recruitment of a Chartered Accountant with at least three years' post qualification experience, with the following key responsibilities:

- preparation of quarterly and annual IMRO returns and financial statements
- treasury management
- liaison with investors
- review of business practices to ensure IMRO compliance
- reporting to the general partner at partnership meetings

Reporting directly to the group finance director and operating to critical time scales, this role carries a high level of autonomy and responsibility. The successful candidate will have either a financial services or a commercial background, with previous exposure to IMRO and experience of the property development market.

These are outstanding opportunities for high calibre professionals seeking to make a senior level contribution to the direction of the ambitious market leading Plc. Interested applicants should send their Curriculum Vitae to Matt Foster at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 6931, fax: 0171 915 8714. E-mail: matthew.foster@robertwalters.com Web: http://www.robertwalters.com You may also apply via http://taps.com/Robert_Walters quoting reference RW183.

ROBERT WALTERS ASSOCIATES

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McKinsey & Company – Energy Sector Professionals

Oil and Gas Consultancy

McKinsey & Company is recognised as the leader in the field of management consultancy. With 75 offices in 38 countries they offer advice on strategic, organisational and operational issues to leaders of many of the world's pre-eminent companies. Over 4400 McKinsey consultants help make lasting and substantial improvements to clients' business performance.

The continuing success of McKinsey's European Energy Practice has created the need to strengthen the firm's group of oil and gas consultants. Specifically, there are now openings for experienced industry professionals to join the teams focusing on the following sectors:

London or Oslo

Downstream

With in depth knowledge of:
- Refinery and supply scheduling and optimisation
- LP modelling
- Trading analysis crude or finished product
- Long term refinery planning
- Operations and maintenance

Upstream

With in depth knowledge of:
- Exploration strategy and formulation
- Portfolio management and/or commercial evaluation
- Production operations
- Asset management

Natural Gas

Strategic understanding of the European market, with commercial skills in:
- Marketing
- Trading
- Risk management
- Gas systems development

Packages to attract the best

You will work with some of the biggest names in the energy business in Europe and the Middle East, helping to generate innovative solutions that will set new benchmarks for best practice. Much of your time will be spent working directly with clients in multi-disciplinary teams, but you will also add to McKinsey's own research effort, enhancing the Firm's knowledge base and insight into issues of critical importance to clients.

Successful candidates will show exceptional academic and professional achievement and now want to broaden their influence. Aged 28-35, you will probably have no less than 5 years' experience and be able to demonstrate distinctive leadership accomplishments within an oil or gas major or in an advisory or research role. Your track record will clearly demonstrate pre-eminence and a proven ability to develop commercial insights in your field of expertise. Commercially aware, ideally formalised with an MBA, you will also have first class interpersonal and communication skills. These significant career opportunities offer highly attractive salaries and a wide range of benefits.

Interested candidates should write with full CV, quoting current rewards package to Richard Roberts, Energy & Utilities Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AT, Tel: 0171 970 9600, Fax: 0171 936 3974, quoting ref: LRR/18817/FT and the appropriate job title.

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Finance Director

An Executive Role in a Major Business Re-engineering

N. Hampshire — **In excess of £80,000 Basic + Package**

Our client is a key member of a leading global finance services group. Due to promotion, they now require a high calibre Finance Director to manage the company's financial activities and to play a major role in a significant business re-engineering project. Working closely with the Managing Director and the Executive and leading a large finance team, the main responsibilities of the role will include:

- Management of all aspects of financial control, including costs, tax and treasury risks and the provision of financial information to the business.
- As part of the Executive team, driving and delivering a programme to re-engineer the business processes and structure, to improve customer service, increase productivity and reduce costs.
- Shaping the culture of the company to one which is more customer focused, challenging and inspiring for its employees.
- Designing and implementing a risk adjusted pricing system.
- Steering the work to ensure competitive Euro capability.
- Playing a key role in the development of the company's data warehousing and analysis capability.
- Setting the direction for operational risk management of the company.

This is a business role, not an accounting role. It is outfacing and customer focused, requiring a professional who has commercial insight and is naturally a lateral thinker. Strong leadership and team skills are essential, as is the ability to manage change and inspire and influence those not always under their direct control.

Candidates are invited from any sector, but will be qualified accountants who have experience of working in large blue-chip organisations. For the right candidate the prospects are exceptional.

Interested candidates should send their CV to Sarah Hunt at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 3426 or you can telephone her on 0171 269 1846. Please quote reference 451344.
e-mail: sarahhunt@michaelpage.com or www.michaelpage.com

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CITY

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Group Finance Director

(with strong commercial skills)

Based Leeds area — **£neg + car + benefits**

The Company

Lambson Group is a privately owned, long established company with its core activity centred in the chemical industry. The business is currently undergoing rapid change to meet the challenge and opportunities arising from consolidation of major players in the chemical sector. A portfolio of both leading edge technology and traditional products with a customer base U.K. and overseas, there are substantial opportunities for growth.

The Role

Reporting directly to the Group MD, the role carries shared responsibilities for development and delivery of business strategy as part of the management team. Specific responsibilities lie in developing strong relationships with key trading partners, banks and financial houses and auditors and legal advisors. As head of the finance and IT team you are responsible for statutory and management accounting, taxation, monthly reporting, budgets and forecasts as well as systems development.

The Individual

A proven track record as a business person, high calibre accountant and considerable experience in industry and commerce. Experience of commercial negotiation and a working knowledge of contract law will be necessary along with a recognised accountancy qualification.
Personal qualities should include enthusiasm, commitment and a teamplayer who can generate new ideas.

If you think you can meet our demanding requirements then apply in writing with your full CV and current remuneration package to reach us not later than Friday 2nd October.

The Chairman
The Lambson Group Ltd
103-105 Station Parade
Harrogate
North Yorkshire
HG1 1HB

HEAD OF INTERNAL AUDIT

MAJOR FINANCIAL SERVICES GROUP

SOUTH EAST — **c.£55,000 + BENEFITS**

- Household name in Financial Services, part of major international group. Multi-divisional with many innovative products/services. Recent growth has been accelerated by acquisition.
- Internal Audit is a key function which now seeks to add greater value to the operation in a highly proactive, consultative, yet firm style. Financial, operational and computer audit dimensions are relevant.
- A Departmental Head is now needed to manage and develop the audit function.
- Of graduate calibre, you will be professionally qualified with at least five years audit experience three of which should be in a management capacity.
- Financial Services sector experience will be of considerable value, with previous international experience an asset.
- Excellent communication capabilities, leadership skills, energy and proactivity will be important. Absolute integrity, focus and professionalism are vital. This is a significant opportunity to develop a career within a major group.

Please apply in writing quoting reference 1699
with full career and salary details to:
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www.whiteheadselection.co.uk

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Total accountability... for finance, treasury, IT, logistics, distribution, sales administration and Secretarial functions. Lead and direct team of seven professionals. Liaise extensively with continental European manufacturers who supply direct to UK accounts. Key member of small executive team. Frequent contact with group finance departments in Barcelona, Paris and Cologne.

Qualified, commercially astute... graduate calibre accountant keen to progress quickly to Board level. Understanding required of business dynamics associated with sophisticated, international logistics, incorporating EDI. Team building and good relationship development skills as important as flair for innovation. Understanding of premium retail products and/or ability to speak French/Spanish helpful. First class interpersonal, communication and presentation skills mandatory.

Please apply by sending your CV quoting reference R98243 and stating current salary

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Hays plc is a group of over 70 companies providing business-to-business services 24 hours a day to industrial, commercial and professional customers under the three core activities Distribution, Commercial and Personnel services. The Group employs more than 17,000 people at over 700 locations around the world.

Hays Information Management is the recognised UK market leader in Archive Storage and Records Management in Europe. Core services include Secure offsite hard copy storage, through to fully computerised online data retrieval systems. HIM provides services to customers in the Commercial, Energy, Public, Healthcare and Magnetic Media sectors.

Hays Information Management's 950 personnel are employed throughout the UK, Germany, Belgium, the Netherlands, Norway and the US. The business operates out of over 40 sites, housing some 41 million cubic feet of storage and servicing nearly 4,500 customers.

European Finance Manager

Pan European role

Brussels — **c£50-£70,000**

The Role

You will work closely with and develop further the existing HIM finance teams in Belgium, Germany and the Netherlands, in order to implement financial controls and continue the development of management reporting and statutory budget systems.

Reporting to the Finance Director and indirectly to the European Managing Director, an important additional element to your role will be to assist the European Business Development Director in identifying acquisition opportunities to continue the impressive growth of this division.

With a brief to be visible and to make a commercial contribution at each of the European sites, your responsibilities extend well beyond the traditional finance manager role. Success across these key areas will result in further recognition at an early stage.

The Candidate

- A team-player with strong commercial acumen
- A 'can-do, will do' work ethic
- 3-5 years post qualification experience
- A degree of fluency in Dutch, German, French and English is desirable
- A successful financial track record in business-to-business services in Europe and ideally in Belgium and Germany

Interested applicants should apply in writing to our recruitment advisor, Ken de Boer at Hays International, 141 Moorgate, London, EC2M 6TX, United Kingdom. Alternatively please fax your cv to +44 (0)171 588 2329 or e-mail to:london@hays-international.co.uk

Hays International — Hays

Finance Manager

Investment Administration

Home Counties • to £50,000 + package

Leading US bank with expanding presence in the UK and Europe. Operating in the fields of treasury, investment administration and custody services, this organisation has undergone considerable growth, both organically and by acquisition. A commitment to high standards of client service and investment in new technology are part of an exciting and challenging strategy which has already led to business exceeding forecasted growth. In order to maintain these levels of success, a career-minded finance manager is required to join its fund administration business.

The Role:

- Lead, motivate and develop a team responsible for the pricing and valuation of all funds and trusts.
- Co-ordinate and build relationships with clients, as well as professional advisers and other departments within the organisation.
- Create an environment of control and quality, ensuring work is accurate and timely.

The Candidate:

- Graduate calibre qualified accountant with proven staff management ability, ideally with unit trust experience.
- Minimum of 5-10 years' financial accounting/management experience in a forward-thinking financial services organisation is essential.
- IT development, interpersonal and organisational skills must be upper quartile.

Please write in confidence, with full career and current salary details, quoting reference SJW/2863.

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e-mail balij@odgers.com

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ODGERS EXECUTIVE SELECTION — A DIVISION OF ODGERS INTERNATIONAL

Head of Audit

Hampshire • to £70,000 + package

Worldclass organisation at the forefront of the automotive industry with an excellent reputation for product performance, innovative design, and customer satisfaction. Its wholly owned Financial Services business was established in the UK two years ago and has grown rapidly to provide a comprehensive range of products. With ambitious growth plans, the company has embarked on a series of operational and strategic initiatives with Internal Audit playing an influential and increasingly proactive role. Reporting to the CEO, this is a high profile role offering excellent prospects.

The Role:

- Lead, develop and motivate a small team responsible for ensuring that operational systems and procedures meet the highest standards.
- Develop recommendations to improve control, enhance operational performance and generate efficiencies.
- Provide assistance on special projects, involving liaison with both group and operational Directors.

The Candidate:

- Graduate qualified accountant with 5-10 years' PQE. Ideally with senior level audit experience and a track record of working on diverse projects to enhance business performance.
- Financial Services experience is preferred as well as an additional European language.
- Sound commercial acumen, strong technical ability and outstanding communication skills are essential.

Please write in confidence, with full career and current salary details, quoting reference SJW/2849.

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e-mail balij@odgers.com

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7 Curzon Street,
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More Group

To £65,000 plus bonus & benefits — *London*

Head of Corporate Finance

New high profile role supporting the board of this market-leading media business continuing its major acquisition programme under its new owners Clear Channel Communications Inc., an S&P 500 quoted group and a leading global diversified media and outdoor advertising company. Stretching remit to provide financial and legal support to the CFO, focusing on Europe and Asia/Pacific, with real scope for progression to a senior line role in the medium term.

THE ROLE

- Supporting the CFO of More Group in all aspects of acquisition transactions to implement a progressive strategy and achieve leadership in the Group's chosen markets.
- Participating in negotiations with principals and financial advisors. Co-ordinating accounting, tax and legal due diligence exercises and liaising extensively with Clear Channel.
- Managing the Group investment appraisal programme, working with corporate and local line management providing analyses to optimise asset allocation.

THE QUALIFICATIONS

- Assertive graduate ACA/MBA with a distinguished functional track record in cross-border European corporate finance/M&A from the City, a corporate or the profession. A second European language highly advantageous.
- Diligent, hard-working and committed self-starter with first-class communication and analytical skills. PC literate.
- Ambition to work at board level with the style, gravitas and polish to grow both professionally and personally in the role and engender confidence, internally and externally.

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London W2 2ED

Head of Group Internal Audit

London Based **c£90k, negotiable, + executive benefits package**

We are a FTSE 100 plc and a member of the global AXA Group, one of the world's largest insurance and asset management groups.

Quoted two years ago, we are already fourth in the UK life assurance league, and have a growing position in general insurance; this forms the foundation for ambitious growth plans. We intend to grow by giving freedom to the talent we employ and, in this new role, we seek a professional with a track record of thinking 'outside the box'.

We take it for granted that you already have an effortless command of audit and the introduction of risk assessment and management techniques.

You will be an individual who has worked beyond this, who has experience of the pro-active role which audit can play in empowerment in the financial service industries, and who can demonstrate real achievements in implementing the structures needed to combine empowerment with control.

You will certainly have been at the centre of mergers and acquisitions; you will certainly have an understanding of brand power, and you could well have gained this in international banking or investment.

You will have distinctive persuasive and influencing skills, and be used to preparing strong cases for change, inspiring those around you to achieve ambitious objectives.

You will be able to demonstrate the use of these skills in ensuring the acceptance of tough audit recommendations.

Probably already thinking of joining a group with truly global opportunities you'll have an absolute intention of achieving the dominant position in that group's chosen field.

Put your thoughts into reality and, if you believe you have the skills, energy and vision to deliver, write with your current CV and salary details to Phil Judkins, Sun Life and Provincial Holdings, 107 Cheapside, London EC2V 6DU.

AXA

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FINANCE DIRECTOR

VENTURE CAPITAL BACKED GLOBAL SOFTWARE/SERVICES BUSINESS

LONDON **c.£80-£100,000 PACKAGE + BENEFITS**

- Following a 1994 management buy-out from London Business School, Monis Software has emerged as the global leader in mid-range analytic systems for the derivatives industry. It has secured long term supply/service contracts with more than 500 leading financial institutions throughout the world, with permanent staff of over 50 in London and New York.
- The company is backed by Kenner Capital, a joint venture between Broadview and Electra Fleming. It plans major expansion both organically and through acquisition, with a view to a flotation in the medium term.
- Early priorities for its first Finance Director will be to introduce new accounting systems in the UK and US, develop and build the finance function, and actively support business decision-making, including contract evaluation and negotiation. Involvement in M&A will be an essential part of the role.
- Qualified accountant with a good university degree, who has broad financial and commercial management experience, preferably including at least one business start-up in the IT sector. An outline understanding of banking/treasury products will be necessary, as will knowledge of US GAAP and taxation.
- Personal qualities will include a strong intellect, entrepreneurial flair, exceptional levels of energy and resilience, and credibility in the eyes of the investors. The successful candidate must have a preference for an informal, hands on, highly committed working environment.
- This is an excellent opportunity for an ambitious team player to join a young, rapidly expanding niche business in a high growth area. It offers scope for considerable personal development.

MONIS SOFTWARE

Please apply in writing quoting reference 1716 with full career and salary details to:
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ASSISTANT TREASURER

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The Position
- Core responsibility to create deal-winning, trade, export and project finance strategies for capital equipment and consumer goods.
- Manage team advising European businesses on effective foreign exchange management.
- Coordinate initiatives among business level Treasurers through leadership of European Treasury Council.
- Report directly to GE Group Treasurer in United States.

Qualifications
- Minimum eight years' trade and export finance experience, closing short and long term deals, with a leading bank or blue chip industrial group.
- Thorough knowledge of bank and ECA facilities for the Middle East and Eastern Europe.
- Broad financial management experience, understanding of treasury operations and foreign exchange.
- Commercially astute, technically excellent graduate, ideally with professional qualification or MBA.

Please write, in confidence, with a full c.v. to Criterion Search, 50 Regent Street, London W1R 6LP, U.K. quoting ref: 3034. Tel. 0171 470 7108. Fax. 0171 470 7171. Email: mail@criterionsearch.co.uk

CRITERION SEARCH
PART OF THE CURZON PARTNERSHIP

European Financial Controller

Home Counties – To £55,000 plus bonus and benefits

- *Our client is a multi-national FMCG organisation which markets and distributes a range of well known consumer products. Turnover for the European region is circa £250m and the vision is to grow it rapidly by acquisitions and new product development. Our client now wishes to strengthen its European senior management team by recruiting a Financial Controller.*
- *Reporting to the Finance Director of the European region, you will be responsible for consolidating monthly and statutory reporting; assisting with the budgetary process and preparing pertinent management information for the European management team. An initial key requirement will be to conduct a risk management and process improvement review of the financial control systems and procedures.*
- *You will be a qualified Accountant with a minimum of five years' post qualification experience, gained ideally in the manufacturing or distribution sectors. You will need to demonstrate technical excellence in financial controls, systems and commercial risk assessment with proven success in the management of a finance function. You should exhibit excellent communication and relationship management skills together with the drive and enthusiasm to succeed in a dynamic and high growth business.*
- *In return you will be provided with genuine opportunities to develop your career with this organisation in the UK or world-wide*

Please send your CV together with an explanation of how you believe you meet the criteria for this position and current salary details to Myra Gandhi, Ernst & Young Executive Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference PM282. Fax 0171 931 1022 or e-mail: mgandhi@cc.ernsty.co.uk

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FINANCIAL CONTROLLER

Healthcare

HOME CARE

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As the UK subsidiary of a £3bn rapidly growing International Group, Fresenius is recognised as a leading supplier of Clinical Nutrition and Drug Administration systems. They also have a proven record in the provision of contracted packages of High Tech care for patients at home, being one of the UK's leading companies in this field.

This newly created post, reporting to the Homecare Director, will allow the incumbent to determine strategy and contribute to business planning by providing an effective platform of financial management procedures. Delivering profitability through financial controls, you will provide accurate and timely financial information to both the UK and Group Finance teams, plan and control budgets, maximise cashflow and conduct audits and policy compliance.

A qualified and competent accountant, the ideal candidate will apply strong financial discipline to business decisions and have the breadth of experience to contribute to a broad range of commercial issues including tender preparations. A team player, you should demonstrate strong communication skills and have the enthusiasm and drive to operate in a thriving entrepreneurial culture. Well developed IT skills will enable you to contribute to the project team responsible for the evaluation and implementation of a pan European operating system. Working knowledge of the NHS could be beneficial.

To apply please send full career details to ANDREW EVANS, quoting ref: E406/5, at The Recruitment Management Group, The Maltings, 98 Wilderspool Causeway, Warrington, Cheshire WA4 6PU. Fax: 01925 650088, Email: recruit@rmg.cybase.co.uk or telephone 01925 655222 for an initial discussion.

THE rmg RECRUITMENT MANAGEMENT GROUP

Finance Director

Somerset

Manufacturing

Substantial Package
Excellent Career Prospects

Our client (t/o c£50m) manufactures consumer durables sold through retail outlets on an international basis. This business has a reputation for quality and the combination of innovative product development and advanced manufacturing systems ensures that customers are provided with cost effective solutions.

The Role
- Provide strong commercial input on a range of strategic and operational issues and play a significant part in driving profitable growth
- Assume full responsibility for financial management and control through all operating units
- Develop systems and procedures to facilitate effective financial control and generate management information that adds value to the decision making process

The Candidate
- A qualified Chartered Accountant with a minimum of five years PQE gained within either a manufacturing environment or the profession
- Proven commercial acumen founded on sound technical skills and ambitious for personal and professional development
- A team player who is "hands on" in approach with a "can do" mentality and has strong interpersonal and communication skills
- Proven ability to direct and manage change along with the presence to command a high profile across all areas of the business

This commercial role gives the potential for future general management responsibilities within a dynamic business with envisaged equity participation.

To apply, please write with a full CV, details of current salary and quoting ref no. 409/FT to, BHM Nevard Roland, 8-10 Whiteladies Road, Clifton, Bristol BS8 1PD. Alternatively send by fax on 0117 904 9367 or e-mail: wizard@nevard-roland.co.uk

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Finance Managers

Sheffield To £50,000 + Benefits

If you're looking to have a real impact on an exciting new business development, then this is the opportunity for you. Our client, a leading financial services plc, is seeking to establish a finance team to support the launch of a new business initiative. This venture will build on our client's undoubted strengths in the finance sector and deliver a truly innovative service and product offering.

In launching this new venture, the finance team will have a critical role to play. Two key opportunities exist within the new team, one leading the development of financial and management accounting processes, procedures, controls and systems, the other establishing new planning and budgetary processes. Critical to both of these roles will be the ability to understand and shape the direction of the new business and to build relationships with key partners within and outside the new operation.

To be successful in either of these roles, you'll have the initiative and drive to create new processes and systems and challenge assumptions. Outstanding teamworking, communication and influencing skills will be essential. Equally important will be your quality focus and ability to take pragmatic decisions to meet business needs.

In return, an excellent package is on offer, including bonus, profit sharing, pension scheme and first class relocation support.

To apply, please send your CV and current salary details to Hays Accountancy Personnel, 49-53 Fargate, Sheffield S1 2HD. Alternatively e-mail Sheffield@hays-ap.co.uk Tel: 0114 273 8775. Fax: 0114 272 3531.

Hays Accountancy Personnel

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ICE DIRECTOR

Whitehead SELECTION

ial Controller

ERNST & YOUNG

ector

Finance Director

PLC Main Board position

Central London — to £70,000 + Car + Share Options

An opportunity exists within this fast growing, high profile business owning some of the finest restaurants in the UK.

Following recent impressive acquisitions and strong organic growth, the expansion of this *dynamic public* quoted restaurant group is set to continue. The focus for the business is to rapidly develop their prestigious brand in the UK and USA.

The main responsibilities will include:

- Influencing the strategic direction of the group at board level.
- Maintaining and developing high quality accounting systems.
- Co-ordinating and integrating new businesses and recent acquisitions.
- Maintaining strong investor relations.
- Monitoring and ensuring efficient capital investment.
- Proactively managing the group's taxation position.

The ideal candidate will be a professionally qualified accountant with a strong technical background and proven experience, as a number one or two in finance, gained in a commercial environment (preferably a Plc).

Key to this position is the individual's entrepreneurial spirit and ability to operate in a high growth, multi-site, cash-based business. You will have excellent staff and IT management skills. Outstanding opportunities exist for the right candidate.

Interested candidates should send a full CV to Nigel Barcham CPA or Gary Watson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax 0171 831 2612. e-mail: nigelbarcham@michaelpage.com www.michaelpage.com

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FINANCE

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DOCUMENTUM

European Financial Planning Analyst

Documentum is the global leader in developing, marketing and supporting knowledge management systems that enable companies to share information worldwide through server and web environments. With its stronghold in the pharmaceutical sector, Documentum is experiencing phenomenal growth with expansion into the manufacturing and finance sectors.

West London — c £40,000 + Car + Options

Having already realised the ambition of becoming the leading global supplier of enterprise documents and knowledge management solutions, an unrivalled opportunity now exists to make a direct commercial impact in this exciting growth sector. The responsibilities of the European Financial Planning Analyst, reporting to the European Finance Director, will encompass:

- Business evaluation and financial appraisal.
- Provision of business decision support to regional management.
- Planning and forecasting for European operations.
- Frontline support to sales and marketing including revenue analysis and forecasting.

The successful candidate will be an ambitious qualified accountant with an ability to display strong analytical and system skills, presently working in a role with a commercial bias. Experience of a hi-tec industry and a European language would be an advantage. Able to work on your own initiative, you will have good communication skills, organisational ability and a hands-on approach with the commercial acumen to make a positive contribution to the future success of the business.

Interested applicants should forward their CV including current remuneration and daytime telephone number to Keith Mackenzie at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA, or fax 0181 847 5703. Please quote reference 452466. e-mail: keithmackenzie@michaelpage.com www.michaelpage.com

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A *Sub*stantial Opportunity

FINANCIAL AND COMMERCIAL CONTROLLER

Epsom, Surrey c£40K+car+bonus

[illegible] The Yellow Submarine is the 4th fastest growing [illegible] Promotional Marketing Consultancy. With growth rates of [illegible]% and an expanding "Blue chip" client base, the organisation [illegible] identified the requirement for a Financial and Commercial [illegible]ntroller to join their Senior Management Team and proactively [illegible]ntribute to Yellow Submarines' ongoing success.

[illegible]porting directly into the main Board, the Financial and [illegible]ommercial Controller will be responsible for motivating a team [illegible] six people. The role will [illegible] input into the operational [illegible]d strategic decision making process whilst enhancing and [illegible]aintaining effective financial control and probity.

[illegible]ey priorities will also include:

- **Development of the Organisation's financial structure to facilitate both organic and acquisitive growth.**
- **The provision of financial and commercial consultancy to the board.**
- **Developing and implementing contractual terms with all group clients and suppliers to ensure competitive terms.**
- **Ongoing development [illegible] of [illegible] Management Information Systems.**

Suitable candidates will be qualified accountants, who have a proven record of adding value to businesses from both a financial and commercial perspective, preferably within a service led environment.

The individuals interpersonal skills are key, dynamism and ambition are essential coupled with a strong empathy for creative "people" environments.

The YELLOW SUBMARINE
Marketing Exploration™

Interested candidates should forward their CV's including current remuneration details, quoting reference 451937 to
Alistair Robinson,
Michael Page Finance,
Cygnet House,
[illegible] High Street,
Leatherhead, Surrey KT22 8AG
or email: alistairrobinson@michaelpage.com

Michael Page
FINANCE

mencap
making the most of life

Head of Finance

The Royal Society for Mentally Handicapped Children and Adults (Mencap) is one of the United Kingdom's leading charities, campaigning on behalf of people with a learning disability and their families. In addition to its core support and campaigning role, Mencap delivers residential care, education, housing and employment services throughout the country. Mencap has an annual income in excess of £90 million from fundraising, grants and services.

Central London — c £40,000

The Head of Finance role is a high profile appointment following the restructuring of the finance function and has an important part to play in the continued success of Mencap. Reporting to the Director of Finance and managing a team of ten, responsibilities of this key role include:

- Managing the central finance function on a day-to-day basis, taking an active role in the development of staff.
- Overseeing the production of high quality financial information including statutory reporting, monthly management accounts and annual budgets.
- Maintaining and developing the management information systems.
- Co-ordinating the treasury function to ensure the efficient use of the Society's funds.
- Ensuring that effective accounting and control systems are in place.

The successful candidate will be a qualified accountant with a proven track record at senior management level and excellent communication skills, as well as the ability to manage people in a rapidly changing environment. Commitment, ability and a hands-on approach are more important than experience of charity finance.

Interested candidates should write, enclosing their CV and details of current package, to Matthew Morris at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 831 6293. e-mail: matthewmorris@michaelpage.com Please quote reference 449951. Mencap is committed to equal opportunities. Registered Charity No 222377.

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GROUP FINANCIAL CONTROLLER
FINANCIAL ANALYST

INTERNATIONAL CAREER OPPORTUNITIES — WARSAW BASED

THE COMPANY: Our client, Euronet Services Inc., is a US registered, NASDAQ listed company operating the only independent, non-bank owned automatic teller machine (ATM) network in Europe. To respond to rapid growth and projected expansion they are seeking dynamic individuals with excellent communication and technical skills for the following positions:

Euronet

GROUP FINANCIAL CONTROLLER (Ref: FT9817)

THE ROLE: [illegible]

THE PERSON: [illegible]

FINANCIAL ANALYST (Ref: FT9817A)

THE ROLE:
Reporting to the Senior Analyst and Treasurer, your main responsibilities will include:

- financial modelling
- forecasting and budgeting
- treasury analysis
- investment and due diligence reporting
- various management reports

THE PERSON:
Possessing a minimum degree in business, accounting or finance and 3 years' experience in an analytical or related position, you will have the ability to work independently in a dynamic environment. Proficient in the use of Excel spreadsheets, you will ideally have experience working with databases and accounting packages.

Please forward your résumé with cover letter quoting the appropriate reference number
Applications will be treated in the strictest confidence

Antal International, 2nd Floor, 90 Tottenham Court Road, London W1P 0AN, England. Tel: + 44 (0) 171 637 2001. Fax: + 44 (0) 171 637 0949. e-mail: cv@antal-int.com or visit our website on www.antal-int.com

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Oxford	Linnet Price	01865 481472	Newcastle	Gavin Brown	0191 477 4321
Reading	Graham Moore	0118 958 8787	Wetherby	Graham Smith	01937 844700
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Group Financial Controller

As one of the world's leading providers of business services, Ernst & Young is committed to delivering outstanding value to internal and external customers. Demonstrating a consistent record of double digit growth and an aggressive forecast for the future, the current UK turnover is in excess of £600 million.

London — c £50,000 + Car + Benefits

To support the constantly evolving structure with 'value-added' analysis, the Regional and London Finance Directors require a high calibre resource capable of liaising at partner level.

Reporting to the Director of Finance, liaising with both the London and Regional Finance Directors, this broad based role will take responsibility for establishing and implementing all of the key financial processes incorporating:

- The budgeting process with input to the firm's business planning process.
- Quarterly accounts and forecasts.
- Annual financial accounts.
- Monthly management consolidation and reporting.
- Client profitability reporting and analysis.

The demands of the position will require excellent staff management skills and the ability to liaise effectively at a senior level. Previous practical experience should demonstrate a track record of success to date, a strong technical knowledge and excellent analytical skills.

It is likely the successful candidate will have around five years of post qualification experience and the energy, enthusiasm and ambition to progress rapidly within the global business.

Interested applicants should enclose a copy of their CV to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 831 2612. Please quote ref 452251. e-mail: guystacey@michaelpage.com

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Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.
For information on advertising in this section please call Karl Loynton on 0171 873 3694

Financial Times

INTERNATIONAL CAPITAL MARKETS in SWITZERLAND

A major international consulting firm is seeking sharp-witted accountants with US GAAP experience to advise several Swiss multinationals in preparing for New York listing. Work location is Zurich, Switzerland.

REQUIREMENTS:

- *3-6 years post-qualification (CPA/CA or equivalent) experience*
- *commitment to high quality performance*
- *ability to work independently*
- *willingness to travel*

Basic German knowledge is considered an advantage, but not a requirement. We are looking to pay accordingly.

Please send CV to:
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IT Appointments

STRUCTURER/MARKETER QUANTITATIVE ANALYST

CREDIT DERIVATIVES

US INVESTMENT BANK — **CENTRAL LONDON**

This prestigious bank is a truly global player in investment banking, with an excellent pedigree and a strong reputation for leadership in financial product development and technological innovation.

They are seeking to recruit for two positions, a structurer and a quantitative analyst, to join their structured products and marketing group. Highly innovative, the group is a stimulating mix of structurers and traders. For the structuring position, you will need around four years' experience in pricing and structuring derivative deals with a top quality house. You will also be transaction focused and able to originate and close deals. Applicants for the quantitative role will have a good academic background in science/engineering and at least a year's experience of credit derivatives, together with programming skills. This is a high pressure yet fun environment in which spoken French will be an advantage but not essential.

Remuneration packages are excellent and include a substantial bonus and banking benefits package.

In the strictest confidence, please send a full CV to Shelley Ashton at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference FT1609A. Tel: 0171 823 2222. Fax: 0171 823 2208. E-mail millarassociates@sw1.telme.com

Millar Associates
INTERNATIONAL SEARCH & SELECTION

DEVELOPERS

LEADING EUROPEAN INVESTMENT BANK

CENTRAL LONDON

EQUITY DERIVATIVES IT

TO £50K + BONUS
VC++, NT, COM/DCOM, SQL, ATL/STL

To completely re-engineer the equity derivative and swaps trading desks including building the model framework, trading systems and integration to mid-office risk control. You will need a minimum of 12 months' development/software engineering experience developing to tight time-scales together with a highly numerate degree and excellent communication skills. This bank is seeking a number of top-class Developers and Project Managers.

FIXED INCOME ANALYTICS

TO £70K + BONUS
C++, UNIX, CORBA

To join a small global team developing pricing, risk systems and libraries for new exotic fixed income and interest rate products. You will need a minimum of 12 months' front-office experience. A good maths related degree is essential as is your enthusiasm and a flexible approach to problem solving.

In the strictest confidence, please send a full CV to Craig Millar at Millar Associates, 6 Sloane Street, Knightsbridge, London SW1X 9LE. Please quote reference FT1609B. Tel: 0171 823 2222. Fax: 0171 823 2208. E-mail: millarassociates@sw1.telme.com

Millar Associates
INTERNATIONAL SEARCH & SELECTION

Career Opportunities in Consulting

IT BANKING

Our client is a well respected and established consultancy firm, delivering quality professional services and expertise to banks and financial institutions.

Their continued success has resulted in opportunities for Consultants and Junior Consultants to be part of, and contribute to, their growth strategy.

All positions require experience of one or more of the following:

- Treasury and Capital Markets
- Risk Management
- Middleware
- Securities and Fixed Income
- Derivatives
- Financial Software Development.

You must have:

- At least 2 years' experience of IT banking
- Good interpersonal skills to develop client relationships
- The ability to plan and manage your own work
- A pragmatic approach to problem solving
- An all-round positive attitude
- A delivery oriented approach.

This Consultancy has a strong people culture and is fully committed to major investment in training and career development. Individual responsibility and achievement are recognised, encouraged and rewarded.

Please send your CV to Alan Summers, quoting reference FT0998A at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel: 0171 481 1171.
email: SHConsult@aol.com

S&H
Consulting Limited

FIXED INCOME
OUTSTANDING IT DEVELOPERS

City — **£Excellent + bonus + benefits**

Our client, a leading player in Foreign Exchange, Money Markets, Currency Options and Interest Rate Derivatives, has grown a major, profitable Fixed Income business. Their commitment is to IT systems which build competitive advantage for themselves and their customers. They are now looking for exceptional developers with Fixed Income business knowledge to help them deliver on this initiative and bring their skills to an already highly talented team.

The role is to...

- play a leading, highly visible role with the full development lifecycle and delivery of the Fixed Income elements of the Interest Rate Derivatives trading system, architected and built on C, Unix and Sybase technology.
- analyse user requirements then to design, build, test and document effective, robust systems solutions and tools (e.g. pricing, risk engine).
- communicate effectively and positively with both trading and technology groups on a global basis.

You will...

- have an established Fixed Income profile with any experience of trading systems and Interest Rate Derivatives an advantage.
- have proven programming skills in a major development language with, ideally, an RDBMS background.
- Individuals will benefit from exposure to the following: Corba and Web based developments. Full Sybase training will be provided if necessary.
- have a full lifecycle development background with proven and complementary skills in the delivery of complex systems solutions (analysis, design, implementation).

For further details, please contact Lucy Young on 0171 806 1420. Alternatively, send your CV, quoting reference LYFT600, to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: cfinch@mcgregor-boyall.com or visit our web-site at www.mcgregor-boyall.com

McGregor Boyall
Business & Technology Selection for Financial Markets

INVESTMENT BANKING

VB/EXCEL
£35K-£45K + BONUS
Premier US market maker seek a high calibre Front Office Developer with strong Excel/VBA skills. Providing application support and development for the Equity Derivatives desk, you will be involved in extensive user contact and Rapid application development. This is a fantastic opportunity to develop both your technical skills and business expertise in one of the top Investment Banks in the world.

QUANT/DEVELOPER
£45K-£75K + BONUS
Highly rated US Investment Bank seeks a top quality numerical Developer with strong C++ skills. Based on the trading floor, you will develop analytics for the interest rate options desk involving pricing and some structuring of complex products. Candidates must be highly numerate and analytical with some Front Office expertise. Fantastic career prospects.

VC++/NT
£35K-£45K + BONUS
Currency options group of world leading market maker seek a Front Office Developer with strong C++ skills. Charged with developing the trading systems software, you will assist in the build of a risk management suite and the planned expansion into Equity derivatives and commodities. The successful candidate must be able to demonstrate a desire to develop their business skills in an exciting and challenging environment. High flyers only.

C++/DERIVATIVES
£50K-£80K + BONUS
Leading European Investment Bank require a Financial Engineer for the Front Office. Initially the role will involve writing quantitative models and efficient programs to enable the calculation of valuations for derivatives instruments. The successful candidate will have a strong technical background to include solid C++ expertise. Preference will be given to those with strong derivatives knowledge and Front Office experience. A strong academic background is highly desirable.

QUANTITATIVE ANALYST
£50K-£80K + BONUS
Oxbridge educated numerical Analyst required by this leading Investment Bank for their OTC Derivatives team. Based on the trading floor, you will develop pricing models and provide quantitative analysis for the trading team. This will include structuring, model verification and product development. High calibre candidates with a numerically based PHD need only apply.

C++/UNIX/EQUITIES
£40K-£60K + BONUS
The number one Wall Street player seeks two Front Office Developers with a minimum of eighteen months C++/UNIX expertise. Based on the Equities desk you will liaise with traders and provide rapid application development and support. This is a wonderful opportunity to develop your business skills in a young, dynamic team which is part of one of the major Financial organisations in the world. Bright, ambitious candidates with excellent communications skills only.

ARc

The people the City turn to first.

Many of our clients also offer Contract opportunities requiring the above skills.

ARC are preferred suppliers to the top financial institutions. This is a selection of current opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Paul Wilkins on 0171 287 2526 to discuss your options. Alternatively please send, fax or e-mail your CV to us at: ARC Recruitment, 15-16 New Burlington St, London W1X 1FF. Fax: 0171 287 9688. E-mail: arc@itjobs.co.uk

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SYSTEMS AUDITOR

LONDON — **£Neg**

Major US bank requires a high calibre IT Auditor to join its International Audit Department. This is a highly autonomous role involving leading-edge systems development and limited travel within Europe and Asia. Key attributes include:

- Graduate with relevant professional qualification
- At least two years systems audit experience
- Strong interpersonal and communication skills
- Enthusiasm and a commitment to banking

Candidates must be ambitious self-starters and able to demonstrate their potential to progress through the department and beyond.

Please forward a CV quoting reference DT/FC4 to Iain Arthur at
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DLA

Investment Banking

City — Business Analysts / Project Managers — from £45-60,000 +BB

Our clients, some of the world's largest investment houses seek truly exceptional IT professionals for Business Analyst and Project Management positions. The roles are diverse and challenging and require the ability to produce and manage first class technical and business analysis over a wide range of projects.

Qualifications and Roles

- The many roles incorporate projects as varied as Financial analysis and design, EMU strategy, analysis of Business Requirements, Building Data and Business Models and Year 2000 Planning and Implementation.
- Graduate, with minimum 2 years experience of Business Analysis or Project Management in the Back Office of an Investment Bank with proven knowledge of various business environments such as Equities, Fixed Income, Bonds, Derivatives or Capital markets.
- Demonstrable leadership skills, excellent written and verbal communication skills, and the confidence and ability to work as part of a team in a multi-cultural, cross border environment.
- Proven technical experience in a variety of areas including C/C++, Visual Basic, UNIX, SQL, Windows NT, Oracle, COBOL, HPS, Powerbuilder, AS400, IBM Mainframe, DB2, SAP, OLAP and Data Modelling.
- ***The Person*** - Natural influencers, with proven track records in a variety of Back Office systems environments and a solid understanding of analysis and/or management issues. Importantly, candidates must possess the drive to build up an exceptional level of expertise in their chosen fields. First class communication and analytical abilities should be combined with the personal credibility to project manage and consult on a global basis to clients and colleagues alike.
- ***The Future*** - These are unsurpassed opportunities to work with global leaders in Financial Services whilst having your contribution recognised from the outset.

Please contact Danielle Lorenz or Andrew Summers

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Fax: 0171 335 0008
Email: d.lorenz@huxley.co.uk
a.summers@huxley.co.uk

Net.Works

The FT IT Recruitment section is also available all week on www.FT.com

Program Developers for major investment bank in London. Skills needed include: Sybase, Unix, C/C++, VSAM & COBOL. E-mail resume to : Bailess@secadaco.com or mail to Financial Times Box# A6223. No. 1 Southwark Bridge, London, England SE1 9HL

WILMOTT ASSOCIATES

An experienced mathematician programmer is sought to work on research projects for this financial consultancy firm. The successful applicant will be proficient in stochastic calculus and control theory, have undertaken research in finance and have a good knowledge of C++ and SPlus. Knowledge of a language will be an advantage.

Salary £29K

Applicants should email their CV to jobs@wilmott.com.

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FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1998 FRIDAY SEPTEMBER 18 1998 Week 38

INSIDE

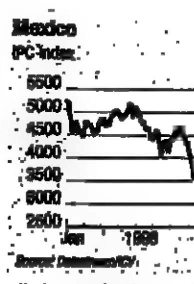
EMI withdrawal leaves PFE looking for European suitors

Today is the deadline for bids for Europe's biggest film production and distribution business, PolyGram Filmed Entertainment. With the withdrawal of the front-runner, EMI, the UK music group, the business could now be subsumed by a US owner. If this were to happen, it could mean that PFE's focus would shift to the US, and Europe's film industry would lose its prime source of capital. Page 18

EU pressed to abolish milk quotas

The UK, Italy, Sweden and Denmark are to join forces to press for the abolition of European Union milk quotas, the 14-year old system that restricts production, from the middle of the next decade. They will tell their EU partners next week that proposals by the European Commission, the EU's executive, to lift quotas by 2 per cent as part of a reform of the common agricultural policy are insufficient. Page 26

Latin American frailty hits Mexico



Mexicans returned from Independence Day celebrations to find a new thundercloud hanging over their financial markets. Shockwaves from Brazil halted the stunning three-day rebound Mexico had enjoyed before Wednesday's holiday. In times of trouble, Latin American investors tend to lump all the region's markets together and sell. But some economists believe Mexico should remain above the fray because of its proximity to the US and structural reforms put in place after its 1994 devaluation. Page 36

Flooding pushes up cost of raw jute

Prices of raw jute are rising sharply as most jute growing areas in India and Bangladesh, the world's main producers, remain under flood waters. The Indian Jute Balers Association says at least 1m bales will be lost in the flood, and the jute trade has revised the crop estimate to 6.5m bales, down from 8m. Page 26

OTE to finance purchases with MTNs

OTE, Greece's public telecommunications operator, plans to finance the acquisition of equity stakes in other Balkan operators through issuing up to $1.1bn in medium-term notes. Page 24

Pulp producers await price rebound

At the start of this year pulp producers were confidently predicting stronger prices; nine months on, they are still waiting. The industry is plagued by overcapacity, exacerbated by a lack of discipline among manufacturers and a flood of hardwood pulp from hard-pressed Asian producers. However, there are signs that in the medium term, prices may pick up. Page 26

COMPANIES IN THIS ISSUE

CROSSWORD, Page 26

MARKET STATISTICS

Alcatel shares plunge on warning

Move triggers sell-off of European industrial stocks

By David Owen in Paris

Alcatel, the French telecommunications equipment group, yesterday touched off a firestorm among European industrial and telecommunications shares by warning that its 1998 operating profits would be below expectations.

The company said its performance had been hit by an "abrupt investment slowdown of some traditional operators and the deepening Asian/Russian crisis".

As a result, operating income from telecommunications "should increase from 1997 but not at the level expected by the market". The company later indicated it was expecting a figure of about FFr4bn ($700m), up on income of FFr3.1bn in 1997, but below analysts' expectations of FFr5.5bn-FFr6bn.

The announcement triggered a stampede to sell Alcatel shares, which were suspended on numerous occasions before closing down FFr356, or 38.4 per cent, at FFr571, wiping FFr70.5bn from the group's stock market capitalisation.

The decline had severe knock-on effects for other European industrial and telecommunications stocks with Schneider, the French electrical equipment maker, and Alstom, the transport and engineering group floated by Alcatel and GEC earlier this year, badly affected. Other companies whose shares were hit included Siemens of Germany, Ericsson of Sweden and Finland's Nokia. The Paris stock market's benchmark CAC 40 index closed down 5.47 per cent at 3,525.26.

Ironically, yesterday's turmoil came after Alcatel reported probably the biggest half-yearly profit in French corporate history, with net income totalling FFr15.2bn.

This was mainly the result of a FFr13.7bn capital gain on the sale to Alstom of the Cegelec engineering and systems business and Alstom's subsequent flotation. Stripped of this gain, net income was flat, while operating income advanced from FFr2bn to FFr2.3bn and sales edged up from FFr60.1bn to FFr61.6bn.

The company, which has refocused its activities around its core telecommunications business under the leadership of Serge Tchuruk, chairman, also holds the distinction of making the biggest ever full-year loss by a French company – FFr25.6bn in 1995.

Mr Tchuruk said Deutsche Telekom of Germany had cut its investment programme severely, with France Telecom and Telefonica following suit to a lesser degree.

He blamed these decisions on the privatisation of the companies and the liberalisation of European telecommunications markets, both of which had encouraged former monopoly operators to adopt a prudent approach to investment.

He also said the internet revolution had made companies unsure of the type of system architecture to invest in, encouraging them to wait before making a decision.

Alcatel improved its structure in the first half, with gearing falling to 3 per cent.

Observer, Page 13
Lex, Page 14
World stocks, Page 34

Murdoch aims to net Italian football TV rights

By Paul Betts in Milan

Rupert Murdoch is poised to team with Telecom Italia, the privatised telecommunications group, to bid L4,000bn ($2.2bn) for a six-year pay-TV contract to broadcast Italian football.

It would strengthen the media tycoon's grip on European soccer following the controversial £623m ($1bn) bid for Manchester United, England's biggest club, by British Sky Broadcasting, the satellite group that is controlled by Mr Murdoch.

The moves underline Mr Murdoch's determination to carve out a leading role in the lucrative business of televising European football, the key vehicle for building subscription-based TV networks.

The strategy mirrors the links established in the US between his newly-acquired sports interests and his Fox television network.

Although Telecom Italia is ready to sign the agreement, the deal hinges on negotiations with RAI, the Italian state broadcasting network.

Telecom Italia and RAI were last night in talks to try to agree a partnership to launch a digital pay-television platform to compete against Telepiu, the Italian pay-TV network which is 90 per cent controlled by Canal Plus of France.

The telecoms group is putting pressure on RAI for a quick agreement to enable it to submit a bid before the end of this month for the pay-TV rights for Italian Serie A and Serie B for the next six years.

The proposal involves the creation of a joint holding company between Telecom Italia and RAI, which in turn would control a series of pay-TV networks. Mr Murdoch could then invest in the planned soccer network and bid for the television rights.

The holding company device is also designed to allay Italian political fears of Mr Murdoch assuming a significant role in Italian television broadcasting in general. Leading politicians in the Italian centre-left governing coalition have opposed his attempts to break into Italian television.

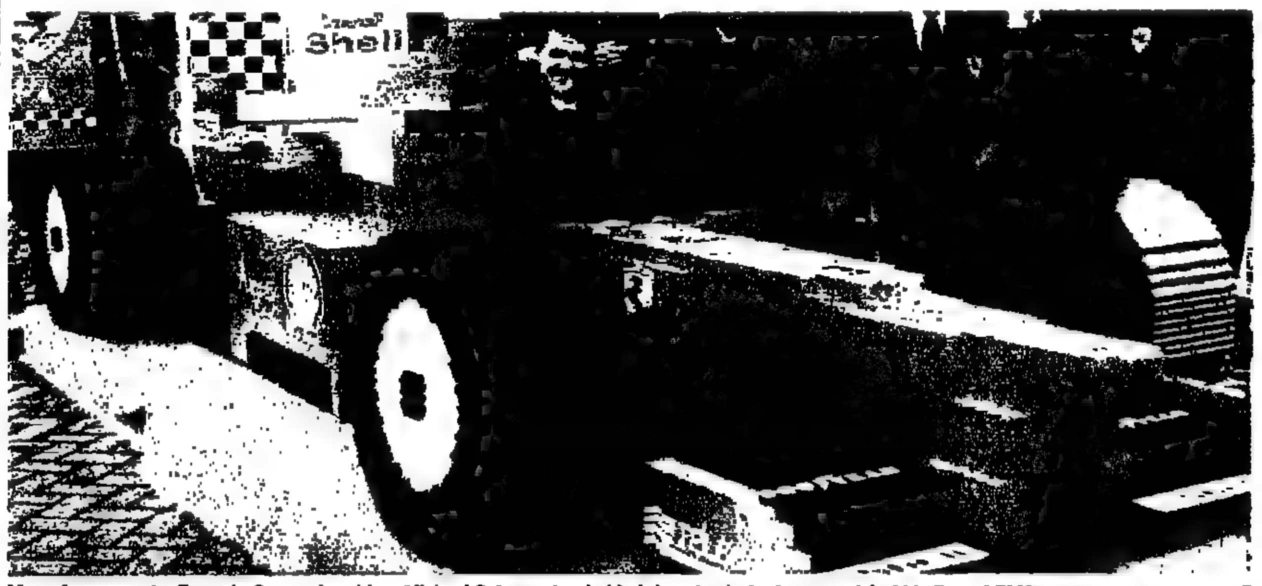
However, officials close to the negotiations did not rule out Mr Murdoch acquiring a stake in Stream, Telecom Italia's multimedia subsidiary that is expected to become the vehicle to launch the pay-TV platform.

The Italian soccer rights are considered crucial for the viability of the project.

The bid by Mr Murdoch and his Italian partners is expected to lead to a fierce fight with Canal Plus, which through Telepiu has signed a six-year pay-TV rights agreement with four leading Italian clubs – Juventus of Turin; AC Milan; Inter Milan; and Napoli.

The deal covers the home league matches of these four clubs which account for by far the biggest share of the Italian soccer TV audience. Last week AC Milan warned that any attempt to block the deal with Canal Plus would be challenged in the courts.

Canal Plus hinted it would offer a stake in its Italian network to Telecom Italia and RAI to form a single digital pay-TV platform in Italy. But the European Union indicated it would oppose a single system on competition grounds.



Man of many parts: Formula One racing driver Michael Schumacher behind the wheel of a Lego model of his Ferrari F300 AP

Lego warns on change in law

Family status of Danish group threatened by changes to inheritance tax

By Hilary Barnes in Copenhagen

The owner of Lego has warned the Danish government that the future of the family-owned international toys group was in doubt because of the country's inheritance tax regime.

Kjeld Kirk Kristiansen, 50, said recent changes in legislation meant that when the next generation of the family moved into Lego management more than DKr3bn ($437m) would have to be taken out of the company to pay inheritance taxes.

In letters to Mr Ole Stavad, the tax minister, he said: "Our plans to keep Lego as a family-owned Danish company cannot be carried out."

In the letters, published in Borsen, the business daily, Mr Kristiansen stopped short of saying a sale to foreign interests might be necessary if the legislation was not changed before he died.

However, Peter Ambeck Madsen, Lego's information manager, said: "This is an obvious risk."

The threat to family control arises from the fact that part of the Lego group is controlled through a holding company in Switzerland.

This company is defined under the legislation as a finance company. In the case of a finance company domiciled in a country where taxes are significantly lower than in Denmark (which has the highest tax-to-GDP ratio in Europe after Sweden), a Danish inheritor will have to pay tax on the capital value of the company.

Previously, the owner would only have been liable to pay tax if he or she sold the shares and realised a capital gain.

It is principally as a consequence of this change to previous legislation that Lego's owners will have to pay "an additional" DKr3bn in inheritance taxes.

"[This is] money which can only be taken out of the business, where in my opinion it should rather be used for investment and jobs," Mr Kristiansen told Mr Stavad.

He argues that the group's corporate structure was set up for business, not tax avoidance, reasons.

The Swiss holding company, Interlego AG, was established in 1962. Lego seems to be unique in being caught by the legislation. "I can't think of any other major company which will be caught," said Mr Ned Shelton, of Shelton International, a Copenhagen tax consultancy firm.

Lego only publishes figures for the companies controlled through the Danish holding company. This group of companies has annual turnover of about DKr7.6bn and employs 9,800.

The companies controlled from Switzerland have about 3,000 employees and turnover of about DKr2bn.

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Philippine Airlines to close with $2bn in debts

By Tony Tassell in Manila

Philippine Airlines, Asia's oldest airline, plans to close on September 28 if no last minute rescue emerges. It will become the first carrier in Asia to be grounded since the region's economic crisis began more than a year ago.

Losses at the 57-year-old PAL have been mounting because of falling demand for air travel, the slide in Asian currencies and a bitter 22-day pilots' strike in July. This left the airline struggling with a $2bn debt burden, much of which had been built up to fund an ambitious fleet expansion and modernisation programme embarked upon just before the Asian crisis began.

The decision to close came after PAL management and unions could not agree on a rehabilitation plan that the airline was due to submit to the Philippine Securities Exchange Commission by September 21.

Under the plan, Lucio Tan, the Filipino-Chinese majority shareholder in PAL, would have offered 20 per cent of the airline to the employees in return for a 10-year suspension of collective wage bargaining. The airline's union had initially appeared to support the deal but then reversed its decision on Wednesday night.

The airline's management announced the closure yesterday after a board meeting, saying losses had become too heavy for it to bear.

"With no fresh capital infusion, PAL cannot operate viably in the face of enormous losses amid the harsh business environment," the company said. "Closure is inevitable because this is the only way to preserve the company's assets to ensure their orderly liquidation and disposition to creditors."

The Philippine government, which holds about 18 per cent of PAL, has called for a meeting between management and unions in an attempt to save the airline. It has ruled out any government bailout. "I don't think the Philippine government has the money or the taxpayer has the money, especially under this great economic hardship, to bail out any large corporation," said Jerry Barican, presidential spokesman.

Bayer to sell up to 75% of Agfa film subsidiary

By Andrew Fisher in Frankfurt and Clive Cookson in London

Bayer, the German chemical group, plans to sell up to 75 per cent of its Agfa film and graphic systems subsidiary to outside investors in what is likely to be one of Europe's biggest stock market listings next year.

The group also announced it will acquire the diagnostics business of Chiron, the US biotechnology company, for about $1.1bn and buy a 50 per cent stake of the seed treatment business of Gustafson of the US.

The group intends to concentrate on its main businesses such as life sciences (health care and agrochemicals), polymers and specialty chemicals. "Our strategy is to focus more strongly on our core competencies, with the stress on our life sciences operations," said Manfred Schneider, Bayer's chairman.

Chiron said it decided to sell the diagnostics business because it did not have the critical mass to become a leader in such a fast consolidating industry. Bayer's diagnostics business has 4,800 employees and sold $1.1bn of testing equipment and chemicals last year.

The addition of Chiron Diagnostics will add 3,000 people and $600m of sales. The combined group will be third in the world league of diagnostics companies, behind Abbott of the US and Roche of Switzerland.

The idea of offering Agfa was suggested by Mr Schneider three years ago after strenuous efforts to improve its poor performance in an intensely competitive industry. Agfa, whose activities also include imaging systems, has long produced poor profits, but last year managed a strong recovery.

Analysts said Agfa was valued at some DM7bn ($4.1bn) so the offer could raise at least DM5bn. Bayer said the listing – in Frankfurt, London and Brussels – would take place in the second quarter of 1999 if capital market conditions settled down.

The subsidiary produced a 6 per cent return on sales in 1997, a year ahead of target. Operating profits doubled to DM481m, with turnover up 9 per cent to DM8.1bn. Agfa has 22,000 employees, mainly in Germany, Belgium and the US.

Mr Schneider said Agfa operated in different markets to Bayer, using different technology. Klaus Seeger, Agfa's chief executive, said it would co-operate more closely with computer and software companies.

Analysts said investors would have been disappointed if Bayer had not decided to sell Agfa. Bayer's shares eased 22 pfennigs to DM64.80 on a day when the market fell sharply.

One said Agfa's profit margins were "still not startling", though it had benefited from the restructuring, including purchases of the printing plates business of Hoechst of Germany and the film business of Du Pont of the US.

Details, Page 19

HONG KONG CONGLOMERATE POINTS TO ASIAN ECONOMIC DOWNTURN AS EARNINGS SHRINK AT NEARLY ALL MAIN OPERATIONS

Jardine Matheson warns after 63% decline at halfway

By Louise Lucas in Hong Kong

Net earnings at Jardine Matheson, the Hong Kong-based conglomerate, fell 63 per cent at the halfway stage and the group warned the second part of the year was likely to be equally bleak.

Henry Keswick, chairman, said: "The severity of the current economic downturn across Asia presents a challenging environment for all our businesses, and the second half of 1998 is not expected to show any improvement."

Jardine Matheson's net profits fell from US$279.8m to US$103.3m in the first six months of the year. Apart from Dairy Farm, the retailing arm which reported results earlier this week, earnings shrunk at all its main operations. Jardine Fleming, the investment banking joint venture, reported no profit at all.

"Jardine Fleming's position in its markets remains strong, but the difficult operating environment is expected to continue to affect profitability for the foreseeable future," Jardine Matheson said. The conglomerate jointly owns Jardine Fleming with Robert Fleming of the UK.

Funds under management and advice totalled $19.7bn at June 30, including for the first time $2.4bn of assets invested in Japan from London. Despite the slashed value of markets, and therefore fund managers' holdings, this was unchanged from the start of the year, partly because of successful fund launches in Taiwan and Japan.

Jardine Strategic Holdings slides 37% to $108.6m

Jardine Strategic Holdings, the holding company and lynchpin of the group, posted a 37 per cent decline in interim net earnings, from US$172.1m to US$108.6m, writes Louise Lucas.

Excluding non-recurring items, profits fell 16 per cent, from $127m to $107m. Non-recurring items related chiefly to gains from the sale of European retail interests, which were offset by provisions at Hongkong Land against south-east Asian assets, such as a toll road in Indonesia.

Jardine Strategic said operations from car distribution to marketing had suffered from the Asian financial crisis.

Diluted earnings per share fell 41 per cent, to 11.89 cents, but the dividend is held at 4.6 cents.

The Jardine group has gradually divested non-Asian interests in recent years, shedding holdings in companies such as Trafalgar House, the UK construction and engineering company, and Simago, the Spanish supermarket chain.

However, its return to more traditional grounds has coincided with the Asian financial crisis. The devalued currencies, recessionary economies, asset deflation and depressed consumer spending has ravaged income from a number of its operations.

Mr Keswick said consumer confidence was at a low ebb in most of the group's markets, leading to pressure on sales and margins. The structural changes necessary to reverse the crisis are being implemented slowly, and markets were likely to remain depressed for some time, he added.

"While this will continue to affect its revenues, the group has taken firm measures to reduce costs and to ensure that its businesses remain soundly financed," he said.

Earnings per share at the group fell 64 per cent, from 48.37 cents to 17.59 cents. Stripping out non-recurring items, the decline was a slightly more modest 34 per cent, from 25.95 cents to 17.13 cents.

Jardine Matheson is holding the interim dividend flat at 7.8 cents.

Japanese petrol groups link up in distribution

By Alexandra Harney in Tokyo

Japan's big seven petrol groups are stepping up cost-cutting efforts by pooling storage facilities in the industry's largest distribution tie-up to date.

The move is the latest in a series of reforms aimed at improving deteriorating profitability amid intense price competition and growing debt levels.

Cosmo Oil, one of the leading petrol groups, yesterday confirmed plans to rent out its oil terminal facilities in Matsuyama in south-west Japan to other companies from October. Cosmo reached agreements with Nippon Oil, Idemitsu, Japan Energy, Mitsubishi Oil, General Sekiyu and Showa Shell.

The tie-up will eliminate some of the industry's excess capacity. Three petrol groups – Japan Energy, General Sekiyu, and Mitsubishi – will close their tank facilities in the region this year as a result of the agreement, according to industry sources.

Matsuyama is Cosmo's largest storage facility with a capacity of 300,000 kilolitres. It supplies the Shikoku region in southern Japan. Cosmo said it had no plans for further distribution tie-ups, but suggested there could be similar moves in the industry as companies continued cost-cutting.

Japanese oil groups have been scrambling to reduce operating costs and revive profitability, following this year's deregulatory reforms that introduced self-service stations and lifted restrictions on oil imports.

Overcapacity has cut margins across the industry and contributed to companies' debt problems. Analysts estimate that 70 per cent of service stations are operating at a loss, and that the sector has as much as Y5,000bn ($37bn) in bad debts.

The deal will provide Cosmo, which saw profits plunge 40 per cent to Y5.3bn last year, with much needed cash from cost cuts and rental fees. The group estimates it will reduce expenses by between Y50m and Y60m a year and gain an additional Y300m from the tank rents.

Cosmo has closed 90 service stations in the past six months and plans to shut 1,000 stations by March 2000. The group, which has cut executive pay by 3-5 per cent, said weaker-than-expected demand could force a downward revision of earnings for this year.

Retail mix fuels BP move

Cappuccino and chocolatebears seems an unlikely way to build a petrol station business, but British Petroleum, the UK-based group, believes these are two of the elements in its successful entry into the competitive Japanese market, writes Alexandra Harney in Gunma.

When BP opened its first self-service station in Ojima, 100km north of Tokyo, last week, customers found a sit-down cafe, sweet shop and a convenience store in addition to self-service pumps. The new station, which is twice as large and equipped to sell 10 times as much fuel as the average Japanese petrol stand, is the latest development in BP's strategy to capture a piece of the second-largest oil market in the world, next to the US.

Last December, the group opened its first station, a semi-self-service outlet in the same region.

Fill her up (yourself): BP's self-service station in Ojima

Both stations have drawn strong criticism from domestic oil companies and local government, who see BP as a threat to existing petrol stations, already squeezed by record low profit margins and excess capacity.

"We have been blamed for everything, including El Niño. We have been accused of putting gas stations out of business. It seems like everyone and their brother is related to someone who owns a gas station here," says Ronnie Forbes, BP retail manager.

With an estimated 70 per cent of stations in the red and profit margins at just a fraction of their peak, it appears a risky moment to enter the market. Earnings at the seven largest Japanese oil companies have tumbled 96 per cent over the past two years, from Y101bn in 1996 to Y3.9bn ($29bn) this year, according to Deutsche Securities in Tokyo. But BP is betting that the industry is ripe for change.

"The days of four guys wiping your windows are over," says Mr Forbes, describing the expensive service Japanese stations have traditionally offered. Instead, BP has tied up with Beisia, a local retail operator, to find busy locations and install convenience stores in the service stations.

BP believes the unusual retail mix – there are even plans for a Kentucky Fried Chicken drive-through restaurant – will bring in more revenue than the traditional full-service Japanese station, and hopes that non-fuel sales will account for at least 30 per cent of turnover.

BP aims to open 120 service stations in Japan in the next 5-7 years.

Positive demand for DoCoMo

By Paul Abrahams in Tokyo

Pre-marketing for the initial public offering of NTT DoCoMo, the world's largest mobile telecommunications operator, has shown positive demand for the stock.

Early indications suggest strong retail and institutional demand for the issue, which is expected to raise about $15bn in one of the biggest IPOs this year. International demand in the US and Europe is also believed to be strong.

Despite turbulence in international markets, the defensive and less volatile nature of the mobile telecoms stocks has attracted investors, according to sources close to the issue.

NTT DoCoMo increased its earnings before interest, tax, depreciation and amortisation by 58 per cent last year to Y816bn ($6.05bn).

In the year to March 1999, some analysts predict they will rise 20 per cent, despite the worst recession in Japan for more than 50 years.

Many index funds will have to buy NTT DoCoMo shares no matter what the price, as the company is expected to become the third largest stock on the Tokyo market once it is floated next month. However, valuation remains a key issue.

The IPO is likely to be priced at a small discount to international mobile operators such as Vodafone of the UK, Airtouch of the US and TIM of Italy. A range will be decided next week, but final pricing will not be fixed for another three weeks.

Retail demand is thought to be strong due to high brand recognition.

However, advisers to the deal are anxious NTT DoCoMo's shares remain orderly after the flotation. They are thought to be concerned that retail investors may "stag" the issue, selling their allocation immediately after they receive their stock.

At present, 45 per cent of the shares are being marketed to retail investors, 25 per cent to Japanese institutions, 18 per cent to non-north American investors and 12 per cent to the US and Canada. These percentages could change according to demand.

Investors' main concerns appear to be centred on the loss-making personal handyphone business; the scale of investment necessary for the next generation of mobile telephony and the potential return on that investment; and environmental and health issues associated with mobile phones.

The PHS business will be sold to DoCoMo in December after the issue. The cost of the business and its losses this year will be Y400bn.

NEWS DIGEST

TELECOMMUNICATIONS

HK Telecom plans to cut staff salaries by 10%

Hongkong Telecom, the territory's dominant carrier and one of its biggest employers, yesterday announced plans to cut staff salaries by 10 per cent. The company, which employs 13,800, said the move should result in savings of HK$300m ($38.7m) and avoid any further redundancies in the near term. It blamed the economic recession and increased competition.

These factors have already prompted job losses within the telecoms sector in Hong Kong. Earlier this week New T&T, the telecoms unit of Wharf (Holdings), said it had cut 80 of its 650-strong staff. Hongkong Telecom has already announced staff and salary cuts. It laid off 270 people in July and cut senior managers' pay by 8 to 10 per cent.

Hongkong Telecom earlier this week refused to meet union demands to clarify reports of a further 700 job cuts plus salary reductions. **Louise Lucas, Hong Kong**

CONSTRUCTION

Consolidation at Aditya Birla

Aditya Birla, the Indian business house, plans to consolidate all its cement interests into a single company, Grasim Industries – creating a new giant in the cement industry. Grasim will acquire the 3.2m tonnes per annum cement business of sister company Indian Rayon in an all-share deal. The deal – which follows two other recent cement acquisitions – will increase Grasim's capacity to 10.5m tonnes, a fraction less than industry leaders Associated Cement Companies and Larsen & Toubro.

Kumar Mangalam Birla, chairman of Aditya Birla, said the merger of the cement interests would bring savings in marketing, logistics and overheads. Indian Rayon's cement plants are in the south of India, where Grasim is week, giving the merged business a more national presence.
Krishna Guha, Bombay

ELECTRONICS

Sega unveils Noami technology

Sega, the Japanese electronics game group, yesterday unveiled a video game technology that aims to be the next industry standard for video machines.

The product, known as Noami, is the result of collaboration with NEC, the Japanese electronics company, and VideoLogic, the UK technology group. Sega plans to release its first game using the new technology in Japan in November, and in Europe next year.
Alexandra Harney, Tokyo

OIL

Indian Oil plans global issue

Indian Oil Company, the state-owned refiner preparing for a global equity issue, announced its fifth year of profits growth above 20 per cent with post-tax earnings for 1997-98 rising 21.16 per cent to Rs17bn ($400m) from Rs14bn a year earlier. India's biggest crude oil importer and refiner also said phased fuel price liberalisation begun in April would sustain profits growth at similar levels this year, despite soft world oil prices.

Last year's profits growth came on the back of a more modest 6.8 per cent rise in total sales to Rs591bn from Rs553bn a year earlier, with the company reporting record capacity use in its six refineries and both its crude and petroleum product pipelines. **Mark Nicholson, New Delhi**

MALAYSIA

Bank Bumiputra to merge

Malaysia's state-owned Bank Bumiputra announced yesterday it would merge with Commerce Asset Holding to form the country's second largest banking group, with about M$80bn (US$21bn) in assets. Bank Bumiputra has been saved twice already by the government and rumours of yet another bailout have circulated since the regional financial crisis began putting pressure on the Malaysian banking system. The merger is to be completed via a share swap. Due diligence is to be completed within 12 weeks. **Sheila McNulty, Singapore**

PLDT shares rise 25%

By Tony Tassell in Manila

Shares in Philippine Long Distance Telephone, the country's dominant telecommunications provider, rose 25.3 per cent to 1,015 pesos yesterday on the Manila stock exchange amid mounting speculation about the future of the company.

Rumours have been fuelled since last week when the company announced it planned to introduce a poison pill clause into its articles of association to ward off hostile takeovers.

The move prompted speculation of an imminent wrangle for control of PLDT, one of the largest companies in the Philippines by market capitalisation, involving pivotal figures in the country's business and political establishment.

The company's president is Antonio Cojuangco, a member of one of the Philippines' leading business families. Mr Cojuangco's family holds 44 per cent of Philippine Telecommunications Investment (PTIC) which in turn holds 20.9 per cent of PLDT.

Analysts said Mr Cojuangco had been able to retain management control of PLDT with the support of the previous governments.

The government holds a 9.3 per cent stake in PLDT. A 46 per cent stake in PTIC is held by Prime Holdings, a company of disputed ownership and now under control of the government appointees of a commission set up to investigate ill-gotten wealth under the Marcos regime. The Marcos family has claimed ownership of Prime.

With the formation of the new government of Joseph Estrada, analysts said speculation arose over whether Cojuangco would retain control and this was heightened by the poison pill move by the company.

Potential bidders for control of PLDT include a consortium led by Gregorio Araneta, son-in-law of the late president Ferdinand Marcos, as well as foreign companies. Telefónica, the Spanish telecoms group, yesterday denied it had made a bid for the group.

Local press reports have also suggested that Eduardo Cojuangco, an estranged uncle of the PLDT president and a leading business figure, may play a white knight role for the company using his political connections as chairman of the political party of the Philippines president.

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TELECOMMUNICATIONS

HK Telecom plans to cut staff salaries by 10%

CONSTRUCTION

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INSURANCE SHARES IN ZFS'S JOINT OWNERS HIT ON CONCERNS ABOUT IMPACT OF STOCK MARKET FALL ON SHAREHOLDERS' FUNDS

Zurich Financial cautions on second half

By William Hall in Zurich

Zurich Financial Services, formed from this month's merger of Zurich Insurance and BAT Industries' financial services arm, earned $1.42bn in the first half of 1998 but warned yesterday it did not expect second-half earnings to be as strong.

The cautionary note, combined with investor concerns about the impact of the recent stock market slide on ZFS's $23bn of shareholders' funds, led to a near 6 per cent drop, to SFr781, in the shares of Zurich Allied, one of the two quoted holding companies owning ZFS. Shares of Allied Zurich, the UK holding company, fell to 655p, where they are trading at roughly a 14 per cent discount to the Swiss sister company.

Markus Rohrbasser, the group's chief financial officer, emphasised that the direct impact of the crisis in Asia, Russia and other emerging markets on the results of Zurich Group was limited, as these regions only account for 3.1 per cent of total premium income and 1 per cent of investments. Its total emerging market exposure was SFr1.6bn ($1.15bn) and the impact of recent market movements was of the order of 1.5 per cent.

In the first six months, ZFS had revenues of $19.1bn and total operating income of $2bn. Its first-half performance is a considerable improvement on 1997, when the merged group earned $2.1bn for the full year based on pro forma estimates.

Rolf Hüppi, chairman and chief executive of ZFS, warned in May that the new group would take a $1.4bn restructuring charge, but stressed yesterday it would have no effect on the dividend payment, which will represent 30 per cent of sustainable profits.

Mr Hüppi said the new group expects to attain "very good operating results" in 1998, despite the weaker earnings in the second half. He declined to give a full-year forecast, but said its target was a 15 per cent per annum growth in "sustainable earnings power".

Last month, Goldman Sachs, the US investment bank, estimated that ZFS would earn $1.8bn in 1998 after taking account of the restructuring charge, which implied a 14 per cent fall in 1998 net income.

First-half profits at Zurich Group, the senior partner in the merger, rose 46 per cent to SFr1.37bn. Its performance was boosted by a SFr1bn increase in net realised capital gains on the investment portfolio, while net premiums earned rose 2.3 per cent to SFr13.9bn and net investment income rose 10 per cent, to SFr3.4bn.

Mr Hüppi moved to quell speculation that ZFS planned to sell its reinsurance operations, which account for less than 10 per cent of the combined group. It has put Zurich Reinsurance (London) up for sale because it does not fit into its strategy.

PFE's future may lie west

By Alice Rawsthorn

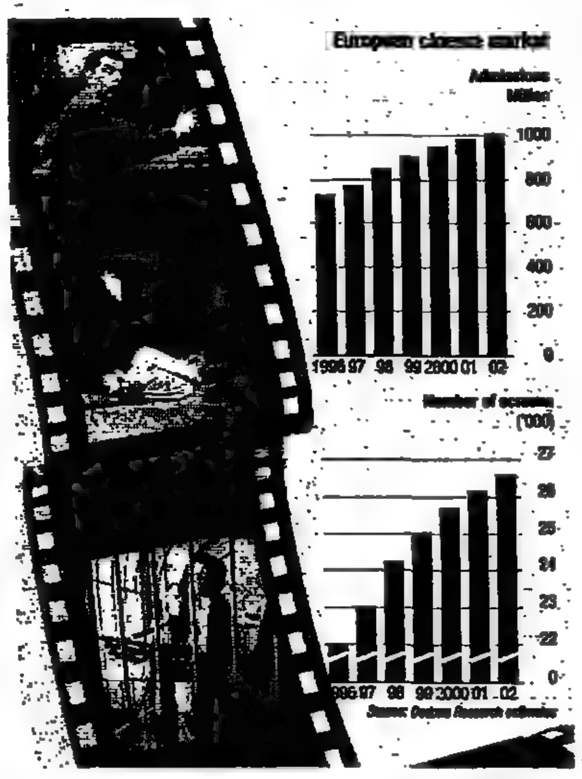
Among the production credits of *Four Weddings And A Funeral*, *Trainspotting*, *Bean*, *Lock Stock & Two Smoking Barrels* and most other European hit films of the 1990s, the name PolyGram appears often.

PolyGram, the Dutch music group, has spent $1.2bn since 1991 on establishing Europe's biggest film production and distribution business. But when Seagram, the Canadian entertainment company, bid $10.4bn for PolyGram this spring, that expensively-created film business went up for sale.

The deadline for final bids for PolyGram Filmed Entertainment (PFE) is today. However, the outcome is now clouded by uncertainty because EMI, the UK music group long regarded as the front-runner in the auction, has dropped out.

Unless another European suitor, such as Canal Plus or Carlton, the French and UK media companies, comes to PFE's rescue, there is a growing possibility that it will be subsumed by a US owner, such as Artisan Entertainment, Kirk Kerkorian's MGM/UA or, if none of the bids meets Seagram's expectations, its own Universal Studios subsidiary.

There would then be a very real risk that the focus of PFE's investment would shift to the US, and Europe's film industry would lose its prime source of capital.



The loss of such an important investor would come at a sensitive time, as the European industry is enjoying a revival.

One of the chief catalysts for that revival was PolyGram's emergence as a powerful investor willing to make a long term commitment to a global production and distribution network.

Until then, the European film business was a fragile, fragmented sector dominated by small companies. Larger investors emerged from time to time, notably EMI in the 1970s, and Pearson (the UK media concern which owns the Financial Times) in the 1980s.

But they concentrated on production, rather than the more profitable distribution business, and both eventually withdrew.

PolyGram's success with *Four Weddings* and *Trainspotting*, coupled with steady increase in cinema attendance as new multiplexes opened across Europe, encouraged other well-capitalised European companies.

Canal Plus has stepped up its investment in production: as have Pathé and Gaumont, the French media groups. Total expenditure on production in the European Union rose from $1.6bn in 1992 to $3.2bn in 1997, according to Screen Digest, the specialist newsletter.

The future prospects for the European film market are so encouraging – fuelled by the construction of more multiplexes and the launch of hundreds of digital television channels – that a new US owner of PFE would be unlikely to withdraw completely from European production.

Similarly, Universal and MGM might retain PFE's distribution network in the light of the European Commission's threat to break up United International Pictures, their distribution joint venture with Paramount.

However, it is highly unlikely that a US owner, or Canal Plus or Carlton, would pump as much money into European production or distribution as PolyGram. Nor is there any sign of another European group taking PolyGram's place as Europe's lead film investor if, after today's deadline, PFE is gobbled up by Hollywood.

Allianz reports growth in line with forecast

By Tony Barber in Frankfurt

Allianz, the German group which this year became Europe's largest insurance company, yesterday stuck to its forecast of a growth in net profit of at least 10 per cent for 1998, provided that claims remained low and financial markets escape further substantial falls.

In spite of intense competition, Allianz reported a 16.3 per cent increase in premium income in the first half of this year, to DM51.8bn ($30.6bn).

The results, which were in line with analysts' forecasts, were the first to be published since Allianz's takeover earlier this year of AGF, the French insurance group. AGF contributed DM6.3bn in premium income to the Munich-based insurer's first-half results.

When Allianz reported last February that net profit had risen by 16 per cent in 1997, it said it expected "moderate double-digit" profit growth this year. It gave no specific figures yesterday for first-half earnings.

The AGF takeover signalled Allianz's intention of establishing a stronger position in other European countries, such as Belgium, Ireland, the Netherlands and Spain, ahead of next year's launch of the euro.

However, Henning Schulte-Noelle, Allianz chairman, has sought to curb speculation that the AGF takeover is the prelude to bolder initiatives that would transform the group into a worldwide financial concern. It continues to hold stakes of about 20 per cent in Hypo-Vereinsbank and Dresdner Bank, Germany's second and third largest commercial banks. But earlier this week it sold a 16 per cent stake in BHF-Bank, a medium-sized German bank, to ING, the Dutch financial group.

Insurance analysts said they expected the group to meet its 1998 premium income target of DM107bn, to which AGF would contribute about DM18bn.

Allianz generates about two-thirds of its revenue outside Germany, raising the possibility of a slowdown in income growth if there were a sustained rise in the mark's value. First-half growth was fuelled almost equally by the group's property and casualty business, which rose by 17.5 per cent, and by its life and health insurance operations, which grew by 14.7 per cent.

NEWS DIGEST

ALUMINIUM

Strong dollar helps lift Pechiney in first half

Pechiney, the French aluminium and packaging company, yesterday reported a 15 per cent rise in first-half profits as a result of sustained demand and a strong dollar relative to the French franc.

Net profits were FFr1.19bn ($210m), up from FFr1.03bn in the same period last year, and the company was confident full-year results would continue to reflect the benefits of cost reductions. Jean-Pierre Rodier, chairman, said Pechiney was optimistic that demand for aluminium would remain strong in Europe and the US, which account for 95 per cent of the group's production.

Lower metal prices were more than offset by efficiency gains, as part of the company's ongoing restructuring effort – the so-called "Challenge Programme". At the end of June, the workforce was down by 4,000 from its 1995 levels, in line with the company's plans for 5,100 job cuts by 2000. Cost-cutting was also in line with expectations, with direct costs down 14 per cent, or FFr2.7bn, after adjusting for inflation. The final objective of reducing direct costs by 20 per cent from 1995 levels would be met next year. **Samer Iskandar, Paris**

SWEDEN

Drott lifts Näckebro stake

Drott, the Swedish real estate company pursuing a SKr3.36bn ($430m) takeover bid for Näckebro, a smaller rival, said yesterday it had increased its stake to 45.7 per cent and demanded that Näckebro respond by convening an extraordinary shareholders' meeting.

Mats Mared, Drott managing director, said he wanted the appointment of a new board of directors which better reflected Drott's position as the dominant shareholder. Drott launched its takeover bid last week after Näckebro surprised it by acquiring 44.6 per cent of its voting rights. Under stockmarket rules, Näckebro cannot itself call for an extraordinary shareholders' meeting at Drott until next week. **Greg McIvor, Stockholm**

TELECOMS

ADC buys Teledata for $200m

ADC Telecommunications, the Minneapolis-based telecoms equipment manufacturer, has agreed to purchase Teledata Communications of Israel for $200m in cash, in an effort to boost its presence on world markets.

The move was the latest in a wave of acquisitions of small Israeli technology companies for high valuations by overseas companies, mostly from the US.

ADC will purchase Teledata for $15.75 a share, or 17 per cent above Wednesday's opening price of $13.375 on Nasdaq. Teledata, which had revenues of $69m in the 12 months ended June, makes digital loop carriers, used to transmit voice and data from telecom providers to remote neighbourhoods. The Israeli company has a strong presence in markets outside the US. ADC said Teledata's market share in Europe, the Middle East, Australia and Latin America would give it "immediate leverage in those markets" and help boost ADC's exports from 21 per cent to 30 per cent. **Avi Machlis, Jerusalem**

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ALUMINIUM

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BANKING CREDIT LYONNAIS TO NEGOTIATE WITH DEBTORS ON BEHALF OF OTHER FRENCH BANKS

Lyonnais to lead talks on Russian debt

By Samer Iskandar in Paris

Crédit Lyonnais, the French bank due to be privatised next year after a state-backed rescue, is to conduct negotiations with Russian debtors on behalf of other French banks.

Jean Peyrelevade, chairman of Crédit Lyonnais, said talks would "have to take place" in coming weeks. The bank had been chosen to head the French delegation as it had "always had a historical presence" in Russia.

French banks have been among the most secretive in the western banking industry about the extent of their Russian exposure. This week, Créit Agricole, a French mutual bank, said that disclosing total exposure or level of losses would weaken its bargaining position with Russian debtors.

The Russian government yesterday postponed by a week the disclosure of conditions at which GKOs – short-term debt securities – would be redeemed. The announcement was originally scheduled for today. Russia effectively defaulted on GKOs on August 17, when it unilaterally announced a three-month moratorium on payments.

Créit Lyonnais yesterday blamed the large provisions on its Asian and Russian exposure for an 18 per cent fall in first-half net profits to FFr1.3bn ($229m). Of the FFr5.4bn set aside in new provisions in the first half, FFr4.2bn was due to the Russian and Asian crises.

"We feel that we have very adequately provisioned what needed to be provisioned in the period to the end of August," Mr Peyrelevade said. "Apart from GKOs, we hold practically no emerging market debt securities."

Operating profits were up 35.8 per cent at FFr7.2bn, mainly from growth in retail banking outside France, of which much is to be sold as part of conditions imposed on the bank by the European Commission in exchange for approving an estimated FFr120bn in state aid for Crédit Lyonnais.

Crédit Lyonnais, however, lagged behind its competitors in capitalising on the upturn in the French economy. Consumer loans and mortgages rose 2 per cent between January and June, to FFr119.3bn. This compares with more than 8 per cent at Crédit Agricole. Deposits increased by 3.7 per cent to FFr239bn, compared with double-digit growth at some of its rivals.

Mr Peyrelevade said this was partly because of uncertainty before the summer, during negotiations between the French government and the European Commission over the bank's rescue. Mr Peyrelevade said yesterday that speculation that Crédit Lyonnais might be driven into bankruptcy had caused a rush on deposits.

Shares tumble after Portugal Telecom results

By Peter Wise in Lisbon

Shares in Portugal Telecom fell 6.6 per cent yesterday after disappointing first-half results that included a 11.2 per cent drop in revenue from international calls.

Analysts said a 22.8 per cent increase in net consolidated profit to Es40.8bn ($221m), up from Es33.2bn in the first half of 1997, failed to offset concern about lower revenue from the group's core business.

Profit growth was slightly below most analysts' forecasts, which ranged from Es41bn to Es44bn. Earnings per share rose from Es175 to Es215. Consolidated operating revenue grew 6.2 per cent to Es273bn.

Analysts said the shares, which closed at Es7,331, down from Es7,851 at Wednesday's close, were affected by heavy falls in the sector across Europe yesterday, as well as disappointment over fixed-line revenue, which accounts for 62.2 per cent of total income.

Total income from fixed telephone services fell 4.3 per cent to Es169.7bn. Domestic telephone revenue, accounting for 48.1 per cent of total revenue, was down 2.1 per cent to Es131.3bn. Income from international calls fell 11.2 per cent to Es38.5bn, 14.1 per cent of total revenue.

Portugal Telecom, which has a monopoly on fixed-line operations until 2000, attributed the fall in core revenue to the introduction of a new tariff system aimed at an average annual reduction, in real terms, of 4 per cent in fixed-line call charges from 1998 to 2000.

The group estimated the impact of lower tariffs in the first half at Es9bn, despite a 3.6 per cent increase in the number of fixed lines to over 4m and a 5.4 per cent rise in total call volume, including 12.4 per cent growth for international calls.

Francisco Murteira Nabo, president, forecast revenue from fixed telephone services would grow in the second half as lower tariffs encouraged customers to make more calls.

Mr Murteira said the group planned to sell 40 per cent of TV Cabo, its cable TV operator, in 1999 and 2000. A first tranche of 25 per cent was expected to be sold to a strategic partner.

He said Portugal's Telecom's recent $3bn investment in Telesp, a Brazilian mobile phone operator, would reach a break-even point in four to five years.

TELECOMMUNICATIONS OPERATOR ALSO UNVEILS NETWORK PLANS

France Telecom falls 15%

By David Owen in Paris

Michel Bon: full-year profits would come in at about FFr15bn, again in line with expectations

France Telecom yesterday reported a 15 per cent decline from FFr8.9bn to FFr7.6bn ($1.34bn) in first-half profits and unveiled plans to build a so-called "European backbone" telecommunications network in a joint initiative with Deutsche Telekom.

The result, which was in line with analysts' expectations, was achieved on turnover ahead more than 3 per cent to FFr77.9bn. Consolidated operating income before special items reached FFr14.3bn, down almost 14 per cent.

Michel Bon, chairman, said full-year profits would come in at about FFr15bn, again in line with expectations, in spite of expenses linked to a planned autumn sale of a second tranche of France Telecom shares.

Questioned on the subject, Mr Bon acknowledged that market turbulence could still force a postponement of the sale, which may involve 100m or so France Telecom shares, but he emphasised how well the shares had performed since last year's initial public offering.

Yesterday the shares were caught up in the general sell-off of telecoms shares which followed the early morning profit warning by Alcatel, the French telecoms equipment group. They closed down FFr34.30, or 7.6 per cent, at FFr425, outstripping the heavy 5.5 per cent fall logged by the benchmark CAC 40 index.

The company said total telephone traffic had increased 8.9 per cent year-on-year, reflecting lower tariffs, which took full effect in 1998, and the success of the company's battery of new call plan options.

It said the number of subscribers to its Itineris cellular service doubled during the year June 30, 1997 to June 30, 1998. It said its target of 5m Itineris subscribers, initially forecast for 2000, should be reached by the end of 1998.

The share of revenues derived from fixed telephony continued to fall, from 65.1 per cent at June 30 1997 to 59.4 per cent a year later. By contrast, wireless telephony accounted for 13.7 per cent of revenues in the latest period, up from 9.6 per cent the previous year.

Revenues from the group's international business also increased, generating revenues of FFr5.6bn in the first half of 1998, up from FFr4.1bn.

The last six months were marked by the acquisition of CI Telcom, a wireless operator in Ivory Coast, and Casema in the Netherlands, as well as the deconsolidation of Cellway (Martin Dawes) in Germany.

The company said the European backbone network would meet the needs of telecoms markets for data transmission products.

WDR to recruit mainly through the internet

By Clay Harris, Banking Correspondent

Warburg Dillon Read, the Swiss-owned investment bank, has made the internet its main gateway for graduate recruitment.

Online application will be compulsory except for candidates from Switzerland and the US, although they will be strongly encouraged to do so. WDR is the first investment bank to introduce such a system globally, according to Darrin Moy, who is responsible for its graduate recruitment.

The move into cyber-recruitment shows how much has changed at a bank that until recently placed its faith in graphology – handwriting analysis – to decide whose face would fit.

The system would enable WDR to introduce a common worldwide standard and to speed up the process of submitting, considering and answering applications, Mr Moy said. Face-to-face interviews and on-site visits would still be part of the selection process.

WDR expects the on-line system to reduce the number of candidates, because the effort involved in filling in an application would weed out all but the serious.

Worldwide, the bank receives about 25,000 applications annually for 320 graduate positions and a similar number of summer internships. In most years, up to 50 per cent of interns – who are also to apply via the internet – are offered permanent jobs, according to Mr Moy.

The application form, which was posted yesterday on the internet, is reached by selecting "careers" on the investment bank's home page, *www.wdr.com*.

WDR urges applicants to allow up to two hours to fill in the form, which asks for personal data and includes open-ended and multiple-choice questions. The form need not be completed at one sitting, as an identification number allows access to partially finished or completed applications.

Because all blanks must be filled in before moving to the next page, an applicant cannot peek ahead. Answers can be changed after each page, or even the full application, has been submitted.

Would-be job hoppers from other firms should stay off-line. Mr Moy said: "At this point, it's for the campus only," up to MBA level.

WDR is owned by UBS, the bank created by the merger of Union Bank of Switzerland and Swiss Bank Corporation earlier this year.

Pirelli confident after 7% advance

By Paul Betts in Milan

Pirelli, the Italian tyres and cables group, yesterday reported a 7 per cent increase in first-half net profits, to L254bn ($152m), and said it expected a full-year figure "in line" with last year's L512bn.

Marco Tronchetti Provera, chairman, said the company was continuing to perform on target in spite of "serious clouds" in the international economic climate. He remained confident about the medium term and said current short-term difficulties could offer growth opportunities in markets outside Europe.

Although Pirelli had built a significant presence in Brazil, the decline in the car market there had so far not affected its overall operations, said Mr Tronchetti Provera. The drop in the country's new-car tyre market had been offset by continuing growth in the replacement market.

Meanwhile, senior executives of Fiat yesterday warned in Madrid that the decline in the Brazilian car market would hit the results of Fiat Auto, the Italian group's main car division. Paolo Cantarella, chief executive, warned that 1999 would "certainly be a difficult year".

Fiat is due to report first-half figures next Tuesday, and Roberto Testore, Fiat Auto managing director, said the figures would contain both positive and negative elements, the latter reflecting the situation in Latin America.

Pirelli's first-half performance has also been helped by the company's limited exposure in Asia, although it was now considering expanding in the region if opportunities arise. However, Mr Tronchetti Provera said there were no imminent investment plans.

Pirelli's first-half group sales rose 2.1 per cent to L5.421bn, with cables and systems accounting for 49 per cent of the total and tyres for 51 per cent.

Gross operating profit rose more than 7 per cent to L668bn. The increase reflected volume growth, a decline in raw material costs and improved efficiency, all helping to offset continuing price erosion.

Tyre revenues rose 1.7 per cent to L2,747bn, while operating profits in the division were up 23 per cent to L206bn.

The cables and systems division saw first-half revenues climb 2.2 per cent to L2,670bn, and operating profits rose nearly 8 per cent to L219bn.

NEWS DIGEST

AEROSPACE

Satellite shake-up lifts Aerospatiale in first half

Aerospatiale, the French state-owned aerospace group due to be partially privatised next year, said yesterday first-half net profits rose to FFr1.2bn ($211m) against FFr608m in the same period last year. The increased net result reflected large one-off profits from the cessation of satellite activities under last year's defence restructuring deal with Thomson-CSF. The net balance of this operation topped FFr979m. Stripped of the FFr1.1bn of satellite income, first-half turnover in 1998 was stable at FFr24.6bn. However, the group reported a 35 per cent jump in orders to FFr332bn, with aircraft orders, including Airbus, increasing 88 per cent to FFr22.6bn. The group said this level was higher than projected and could come close to the record of 1997. Over the year orders were expected to reach FFr70bn against FFr74.7bn in 1997.

The company said partial privatisation plans, announced in July, that included the Lagardère group taking 30-33 per cent, were proceeding smoothly. The current turmoil on the bourses would not affect the plans for the flotation in the first half of 1999.

Aerospatiale's results came as Denis Ranque, the recently installed chairman of Thomson-CSF, unveiled a far-reaching reorganisation of the French defence electronics leader involving the creation of eight business groups and numerous senior personnel changes. Mr Ranque also said he was aiming over the next three years to raise the current operating margin from 5.6 per cent to between 7 per cent and 8 per cent.
Robert Graham and David Owen, Paris

TELECOMS

Era GSM in the black

Era GSM, the Polish mobile telephone operator which started building its network at the beginning of 1996, has for the first time reported a net profit of 37m zlotys ($10m) for the first half of this year.

The company, which is a joint venture between DT Mobile of Germany, US West, and Elektrim, a local listed conglomerate, is competing against GSM Plus, a venture involving Tele Danmark, AirTouch and Poland's giant Plock refinery and the KGHM copper combine.

Era said revenues of 686m zlotys were slightly ahead of last year's, as the number of subscribers had grown to more than 600,000 in two years.
Christopher Bobinski, Warsaw

INVESTMENT BANKING

Merrill opens in Poland

Merrill Lynch has opened an office in Poland, signalling its confidence in the country's long-term future, according to Reginald Bartholemew, vice-chairman of Merrill Lynch Europe. "Poland truly stands out amid the chaos that has swept through financial markets," Mr Bartholemew said.

At the same time Merrill Lynch, which took a lease on offices in Moscow in June is reviewing the status of its Russian operation. "This part of a review of our global operations," Mr Bartholemew explained.
Christopher Bobinski

INSURANCE

Baloise rises 31% in first half

Baloise, Switzerland's fourth biggest insurer, increased its first-half net income by 31 per cent, to SFr209m ($150m), helped by a marked improvement in its underwriting performance. On the non-life side a SFr49.5m decline in losses, to SFr21.3m, underpinned a 22 per cent increase in the the overall result of the non-life business, to SFr244m.

The shift in emphasis towards life business, which now accounts for 60 per cent of premiums, is reflected in a 70 per cent increase in the life result to SFr67.2m. Group premium income rose 3.6 per cent, to SFr4.1bn led by a 21.5 per cent rise in life premiums, to SFr2.4bn.

The group's total income from financial operations rose 5.4 per cent, to SFr1.05bn, and the group's consolidated investments rose 12.4 per cent in the first six months, to SFr42bn. The company has realised almost all its planned annual stock market gains in the first half and a proportion of its portfolio has been hedged against price fluctuations which partly explains the more than five-fold rise in investment depreciation, to SFr418m.

This should cushion the impact of the stock market downturn on the second-half performance and the group is forecasting "a further impressive increase" in full-year profits. Shareholders equity, after the recent stock market fall, is estimated at SFr5bn. **William Hall, Zurich**

FOOD RETAILING

Ahold confident of approval

Ahold, the Dutch supermarkets group, said yesterday it believed sale proposals for ten US stores, linked to its acquisition of Giant Food, would gain regulatory approval. The US Federal Trade Commission indicated in August that Ahold must divest the stores ahead of finalising its acquisition of Giant.

"Ahold has now located buyers and received preliminary indications from FTC staff that the divestiture buyers for all 10 stores and the signed purchase and sale agreements are acceptable," Ahold said. Six of the stores that will be sold are operated by Giant Food Inc, the other four by Martin's, a name used by Giant Food Stores, an unrelated supermarket chain Ahold acquired in 1981.
Reuters, Zaandam

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Shareholders vote on Daimler-Benz and Chrysler merger

Approval of the largest industrial link-up is to be decided in vastly contrasting ways, write **Graham Bowley and Haig Simonian**

The future of the world's largest industrial merger will be decided today when shareholders of Daimler-Benz and Chrysler vote on whether to approve their companies' link-up at special meetings in Germany and the US.

Up to 16,000 Daimler shareholders will gather in the cavernous Hanns-Martin-Schleyer Hall in Stuttgart to discuss the conditions of the $40bn merger between Germany's biggest industrial group and the US car company, which was announced in May.

Chrysler's meeting could hardly be more different. Rather than catering for a cast of thousands, the company expects no more than "a couple of hundred" shareholders to appear at 9am in a functional meeting room at the Hotel du Pont in Wilmington, Delaware.

The outcome at Chrysler is a foregone conclusion. The US group's articles of association only require approval by shareholders representing more than 50 per cent of its issued share capital.

Given the level of support already voiced for the deal, no one is expecting any surprises. Usually, institutional investors do not even bother to turn up in person and send proxy votes by post. Today is unlikely to be any different, and the whole affair should be over within two hours.

In contrast, Daimler-Benz's meeting will be a tortuous process starting at 10am and lasting late into the evening as shareholders interrogate chairman Jürgen Schrempp and the rest of the Daimler board. Unlike the Chrysler meeting, there will be several key voting thresholds in Stuttgart which will be crucial to the deal.

According to German law, Daimler requires approval from 75 per cent of shareholders' capital represented at the meeting to go ahead with the merger.

This 75 per cent level is also important for another reason: it will ensure that shareholders of the German group, which is the larger of the two companies, will hold a majority stake in the new company, DaimlerChrysler.

This is important because under US tax rules, Chrysler shareholders will avoid paying federal income tax on the merger only if Daimler holds a majority stake in DaimlerChrysler. Chrysler executives have insisted on this tax-friendly deal for their shareholders as a key condition for securing their approval.

In fact Daimler should easily get 75 per cent of the votes, but it wants to go further – to breach the 90 per cent voting level. This threshold is important because without it DaimlerChrysler would be forced to write off goodwill worth DM1.4bn ($827m) each year for 40 years. Although this would have no impact on operating profit, it would depress annual net profits. It would be an irritation, but Daimler insists it would press on regardless.

Anyway, Daimler executives are confident they will secure all the votes they need. They can count on the backing of Deutsche Bank and the government of Kuwait, its two biggest shareholders which together own about 35 per cent of the company.

In addition, it has the support of other large institutional investors and of many thousands of small investors who deposit Daimler shares with Deutsche Bank and have instructed Deutsche to vote on their behalf.

As an inducement to get other shareholders to approve the deal, Daimler has made an offer of one additional DaimlerChrysler share for every 200 Daimler shares exchanged if the 90 per cent approval level is breached.

As further sweeteners to win shareholders over, Daimler has held out the prospect of higher dividend payments – in line with Chrysler's pay-outs which have traditionally been higher than those of the German group.

In addition, both companies have stressed the enhanced earnings potential of the combined group. They forecast sales and profits would rise sharply because of buoyant world demand and restructuring within the companies following the merger.

The benefits from restructuring are expected to be especially pronounced *within Daimler. The German* group expects earnings before interest and tax in its car division to surge from DM3.4bn this year to DM5.9bn in 2000.

Profits in commercial vehicles should increase from DM1.3bn to DM2.3bn. Mr Schrempp will spell this out again at the meeting today.

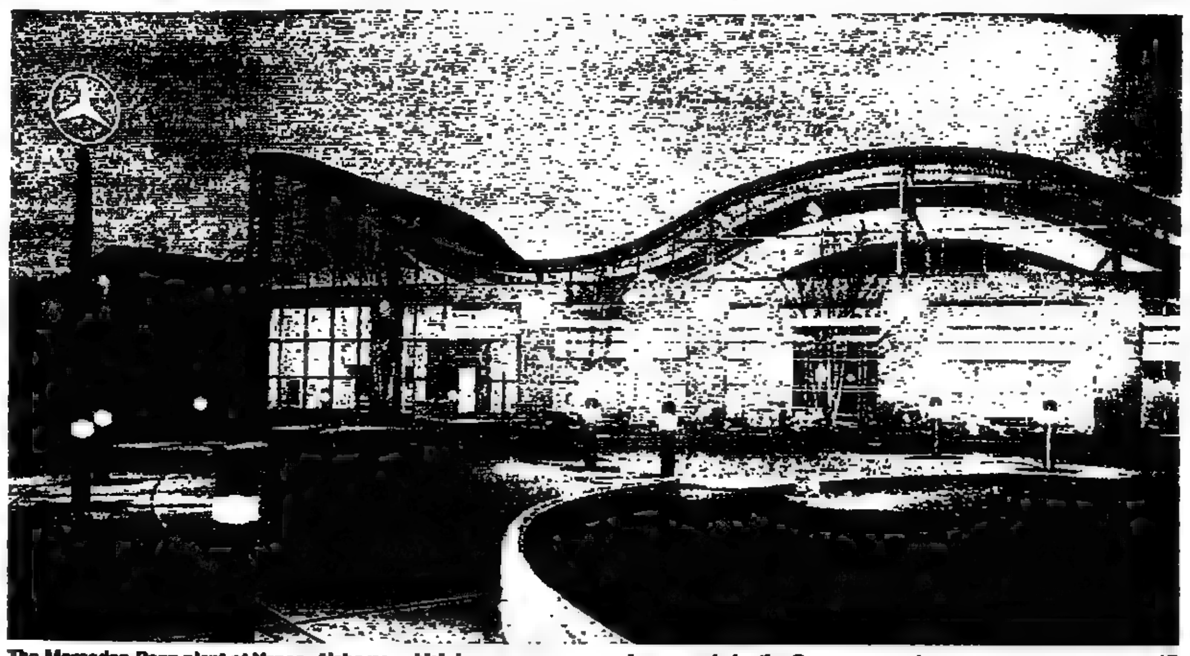
When the meetings are over, the process of exchanging shares into DaimlerChrysler stock will begin. Under the deal, Daimler is effectively taking over Chrysler and the US group's shareholders will receive around 42 per cent of the stock in the new company, while Daimler shareholders will get around 58 per cent.

Shareholders will be able to exchange their shares from September 24 until October 23. Shortly after that, probably in the first half of November, trading will begin in DaimlerChrysler shares and the new company will be officially registered.

The new stock will be listed as registered ordinary shares on all leading stock exchanges. The merger will mean a accounting shift for Daimler since it will switch from half-yearly to quarterly business reports. The first quarterly report of DaimlerChrysler will be published at the end of the first three months of next year.

As at Chrysler's regular annual shareholders' meetings, Bob Eaton, Chrysler chairman, will give a short speech, largely repeating what shareholders have already been told in the statements filed by the company last month.

There will be a brief opportunity for "appropriate" questions. But with only one item on the agenda – the "business combination agreement" with Daimler-Benz the whole affair should be over within two hours – about the same as for a normal shareholders' meeting.



The Mercedes-Benz plant at Vance, Alabama, which houses a museum of cars made by the German carmaker AP

German group cautious on forced-labour issue

Daimler-Benz, the German industrial group, will manage carefully any references to the role it played during the second world war as its merger with Chrysler, the US car company, enters its final phase today, writes Graham Bowley.

The issue of slave labour used in Nazi-era factories during the war has become highly sensitive after several German companies – including Daimler – were this month hit by US class-action suits from surviving forced labourers.

The issue is especially important for Daimler as it is linking up with a US company. Sensitivities about Germany's past are particularly strong in that country.

A leading German activist who successfully represented former prisoners against other big German companies said he was now ready to approach Daimler for talks.

Klaus von Munchausen, a university teacher who was instrumental in forcing Volkswagen, the German car group, to set up a compensation fund last week, said he has been asked by former Jewish slave labourers to talk to Daimler about compensation.

He has already held low-levels talks with the company on behalf of the prisoners, who worked for the Mercedes-Benz car and Messerschmidt aircraft divisions during the war.

There are no signs that the issue of forced labourers – or *Zwangsarbeiter* – will emerge as a key issue at Daimler's shareholder meeting today in Stuttgart.

However, there was concern in the US when the merger was first announced in May that Chrysler was linking up with a German group. Since then, the issue of German companies paying compensation for their war-time activities has gained momentum.

Several Swiss banks and European insurance companies, including Allianz, have agreed to payments to Jewish groups for their role in the second world war and the Holocaust.

Degussa, the German conglomerate, has been hit by a high-level lawsuit alleging it manufactured gas used in concentration camps.

Daimler has been open about its role during the war, conceding that forced labour was used in its factories to support Hitler's war effort. The group made payments in the 1980s to Jewish groups.

GM to discontinue two models

By Richard Tomkins in New York

General Motors, the biggest US car maker, yesterday announced that it would discontinue two models, the Buick Riviera and the Oldsmobile 88, at the end of the year with the loss of 1,400 jobs.

Both models are made at the company's Orion assembly plant in Oakland County, Michigan. GM said some of the employees affected might find work at other nearby plants.

The move comes soon after the return to work at the end of a damaging strike that halted production at the company for nearly two months during the summer.

The settlement of the dispute gave GM more latitude to streamline its operations and increase efficiency, in return for undertakings that it would invest in its US plants.

GM's share of the US market has tumbled from 44 per cent in the 1980s to about 30 per cent, but it has failed to cut its brands and product lines to match its declining sales.

In addition, full-size luxury cars such as the Buick Riviera represent only a small part of the market, and sales have been in decline for many years.

Sales of the Riviera, which has a retail price of about $33,000, tumbled from 21,029 in the 1996 model year to 16,419 in 1997, and GM said it was time to end production. Only 2,000 Rivieras will be made this year, and they will be sold as collectibles.

Production of the Riviera began in 1963, since when about 1m have been made. But in 1997, it represented less than 4 per cent of total Buick sales.

The less expensive Oldsmobile 88 sells for about $24,000, and 67,223 were sold last year, accounting for 27 per cent of total Oldsmobile sales.

GM said the discontinuation of the Riviera and Oldsmobile 88 meant production at the Orion plant would be cut from two shifts to one, resulting in the job losses. The Buick Park Avenue and the Oldsmobile Aurora will still be made at the plant.

BIOTECHNOLOGY US GROUP TO SELL UNIT PRODUCING HALF OF ITS $1.2bn TURNOVER

Chiron to focus on drugs, vaccines

By Clive Cookson, Science Editor

Chiron, the US biotechnology company, will cut its turnover and its workforce by half through the decision, announced yesterday, to sell its diagnostics business to Bayer of Germany for $1.1bn cash plus substantial future royalties.

The business accounted for $600m of Chiron's $1.2bn revenues last year but the company decided it did not have the critical mass ever to become a leader in the highly competitive – and fast consolidating – global diagnostics industry.

It will concentrate now on drugs and vaccines and on its promising blood screening tests, which are not included in the sale to Bayer.

"When I came on board, we decided to narrow our focus," said Sean Lance, who joined Chiron as chief executive in May. "There was going to be a nice ramp-up in revenues from diagnostics but we did not feel the business would ever reach the scale of the major competitors through organic growth."

Mr Lance, a South African who had been chief operating officer of the UK's Glaxo Wellcome, said Chiron's initial plan was to put the diagnostics business into a joint venture, because the company did not believe it could extract its value through an outright sale.

But negotiations with potential partners showed that there were buyers prepared to pay a full price.

Bayer's diagnostics business, based in Tarrytown, New York, has 4,800 employees worldwide and sold $1.1bn of testing equipment and chemicals last year. The addition of Chiron Diagnostics, based in Walpole, Massachusetts, will add 3,000 people and $600m of sales.

The combined group will be third in the world league of diagnostics companies, behind Abbott of the US and Roche of Switzerland.

Roche completed its takeover of Boehringer Mannheim, the German diagnostics company, early this year.

Chiron was one of the original wave of biotechnology companies, founded by biochemists from the University of California in 1981. It has also been one of the most successful. Novartis of Switzerland paid $2.1bn in 1994 for a 49.9 per cent share and has the right to take a majority stake after 2000.

But Chiron has lost momentum over the past couple of years and the management is concentrating on the core pharmaceutical and vaccine businesses. Diagnostics is the latest and largest in a series of divestments, including the $300m sale of Chiron Vision to Bausch & Lomb early this year.

"The initiatives put in place by the company are right but we need to take them further, both in a sense of urgency and achievement," said Mr Lance.

Chiron's leading drugs are genetically engineered proteins such as Proleukin to treat advanced cancer and Betaseron for multiple sclerosis. Its blood screening tests, sold through a joint venture with Johnson & Johnson, are helping to eliminate the HIV virus from the blood supply.

NEWS DIGEST

MANUFACTURING

DuPont sells coal mining venture to RWE

DuPont's plans to sell its energy operations and concentrate on higher-margin, less cyclical businesses advanced yesterday with a deal to sell most of its coal interests to RWE of Germany. Consol, a coal mining joint venture between DuPont – the maker of Teflon and Dacron polyester fibres – and RWE subsidiary Rheinbraun, will buy most of DuPont's half share in the company for an undisclosed sum.

The sale of the 44 per cent holding, which will need US, German and Canadian government approval, is expected to be completed by the end of the year, and followed by the disposal of DuPont's remaining 6 per cent share. The move follows DuPont's announcement earlier this year that it was to sell 20 per cent of its stake in the Conoco oil and gas group in an initial public offering planned as a prelude to full disposal.

However, the falling stock market and depressed oil prices have reduced Wall Street's estimates of the value of Conoco, which accounted for almost half DuPont's 1997 revenues of $45bn. The company had expected to raise at least $3bn from the sale of the initial tranche, using the proceeds to fund expansion in life sciences businesses.

Consol, which has annual sales of about $2.3bn, claims to be the third largest coal company in the US.
Christopher Parkes, Los Angeles

BANKING

ABN Amro seeks licence return

ABN Amro was last night seeking to overturn the withdrawal of its foreign exchange licence in Surinam, where it is the largest non-domestic bank. The move, by the central bank in the Netherlands' former South American colony, came this week amid allegations that the Dutch bank had breached regulations.

The Amsterdam-based group, which reopened its offices yesterday for local business after a day's closure, has denied wrongdoing but has also accepted there may have been a difference of interpretation in the rules. The authorities are struggling to support the Surinamese guilder, which is tied to the US dollar, in the face of uncertainties in regional emerging markets. Forex business for clients in export-import operations forms the biggest part of ABN Amro's activities in Surinam, which is an important producer of bauxite. **Gordon Cramb, Amsterdam**

Vickers eyes GKN armoured vehicle wing

By Andrew Edgecliffe-Johnson

Vickers is examining ways of trying to buy the armoured vehicles business of GKN, despite the latter's agreement this week to merge its defence business with Alvis, the UK's other armoured vehicles manufacturer.

The group, which this year sold Rolls-Royce Motor Cars and Cosworth engines to focus on defence, marine propulsion and turbine components, yesterday announced more than 1100 job cuts – equal to 22 per cent of its workforce.

The cuts are concentrated in defence, where the Leeds tank factory will close at the cost of 450 jobs, and the Newcastle plant will cut 250 staff.

The cuts formed part of a cost-cutting programme and strategic review, which resulted in £29.8m ($50m) of exceptional charges in the first half of the year, and will create another £30m exceptional charge in the second half.

When asked about GKN and Alvis, Sir Colin Chandler, the chairman of the Challenger II tank manufacturer, would only say that he had "not ruled out" an attempt to participate in the long-awaited consolidation of the UK's armoured vehicles industry.

It is understood, however, that Vickers remains keen on a combination with GKN, with which it held unsuccessful takeover talks last year.

Sir Colin, who has also examined the possibility of an alliance with Giat of France, said the priority was to "rationalise our own business, broaden our product range, get access to other markets, and reduce the number of competitors".

Paul Buysse, chief executive since May, said Vickers was pursuing 21 possible acquisitions or alliances. Following the £478m sale of Rolls-Royce Motor Cars to Volkswagen, the group had net cash of £338m at June 30, and analysts estimated that the group could have up to £350m to spend on acquisitions, even once £108m of customer advances were taken out of the cash figure.

The Rolls-Royce disposal distorted pre-tax profits for the six months to June 30, which shot up from £15m to £141m. Before exceptional items, operating profits were down from £27.7m to £17.1m.

The unchanged 2.7p dividend, which is payable from earnings per share of 33p (1997: 1.9p), was covered just 1.3 times by pre-exceptional earnings.

Mr Buysse said the launch of new products had been accelerated in marine and turbine components, where Vickers expects annual market growth of at least 8 per cent. He is looking to grow the marine propulsion business by acquisition, to expand its product range to include bridge controls and electrical devices.

Defence profits dropped £3.4m to £7m, as production on its £1.5bn order for Challenger II tanks for the British Army began to wind down. Discontinued businesses reported an operating loss of £4.8m, compared with a £4.7m profit in 1997.

Kwik-Fit buys Speedy Europe posthaste in deal with SMK

By David Blackwell

Kwik-Fit, the tyre and exhaust chain founded by Sir Tom Farmer, yesterday sharply expanded its operations in Europe by agreeing to pay £105m ($176m) cash for Speedy Europe.

Speedy is being sold by SMK, a Canadian-based automotive operation.

Sir Tom, chairman, described Speedy as a clone of Kwik-Fit. "It is one of the nicest fits that any company could have," he said, adding that drivers could now go from Edinburgh to the south of France and never be far from one of his branches.

City analysts welcomed the deal, which adds 568 outlets across Europe to Kwik-Fit's 1,291 branches, predominantly in the UK. They pointed out that the acquisition's margins were only about half the level of Kwik-Fit's existing business in the Netherlands and Belgium.

The deal would be earnings enhancing in the first full year, and have a neutral effect on the remainder of this year, they said. It would give the group a big presence in France and Germany, add the French speaking part of Belgium and offer a toehold in the emerging market in Spain.

"Strategically, it is very pleasing," said Ed Wright, of Dresdner Kleinwort Benson, adding that it would be a further bonus if Kwik-Fit succeeded in taking its new insurance selling operation to the Continent.

The news was announced alongside a 31 per cent rise in pre-tax profits to £33m for the six months to August 31 on sales 5 per cent up at £251.7m. The shares responded with one of the best performances in the FTSE-250 yesterday, rising 19¼p to close at 467½p.

Speedy had sales of £147m last year, when the impact of a loss-making automotive parts business left it £2.5m in the red.

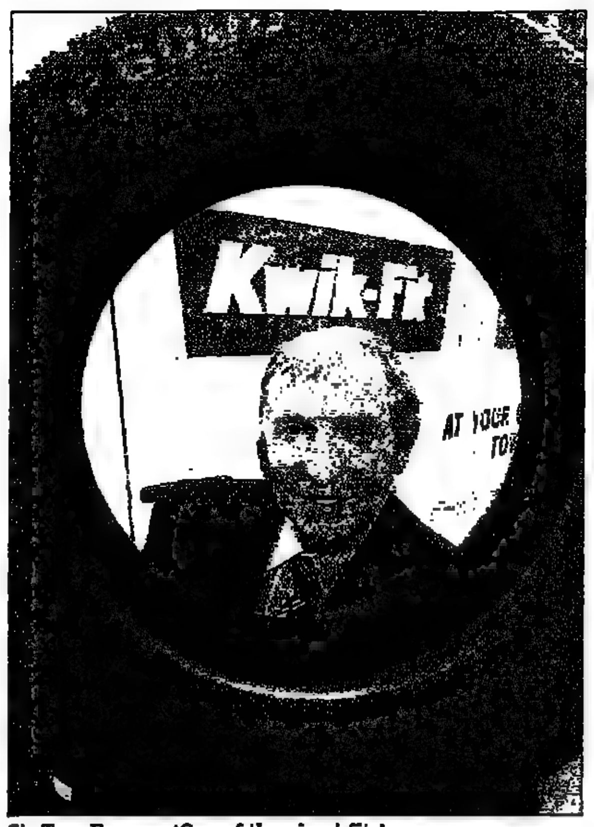
Sir Tom said Speedy itself was making an operating profit, and the acquisition did not include the loss-making business. The Speedy brand was as strong in France as Kwik-Fit was in the UK, so there would be no name change. But he would be looking to establish some sort of common identity.

Speedy, with 376 French outlets, sells more exhausts and brakes than it does tyres, which have lower margins. Kwik-Fit has been trying to boost its brake business in the UK.

The acquisition will soak up Kwik-Fit's net cash of £25.9m and leave it with gearing of between 40 and 50 per cent. But analysts said that even after paying for Speedy, the group would have enough financial muscle to continue its organic expansion.

Plans include a second call centre to cope with demand for its insurance business, which was launched in 1995 and has grown to generate profits of £5m on sales of £21m in the first half. It has introduced an MOT insurance policy and is looking to expand its products. Kwik-Fit also opened a staff training academy in March.

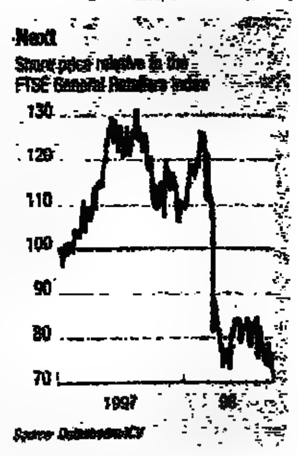
Analysts are forecasting that group full-year profits will hit £64m this year, growing to £74m the following year as Speedy starts to kick in.



Sir Tom Farmer: 'One of the nicest fits'

COMMENT

Next



The most significant thing about Next's results yesterday was Sir Brian Pitman's debut as chairman. The figures themselves were predictably downbeat, even if current trading was more cheerful. It remains too soon to pronounce recovery from earlier trading travails, but recovery will surely come: a slowing economy will not help, but the retail skills and brand power that fuelled the formidable nineties growth story have not disappeared.

More telling than any short-term trading runes will be Sir Brian's influence. To hear him muse about retailers' obsession with top-line growth, not bottom-line profits, was to savour the sound of heresy. Next, of course, has previously managed to achieve both. But it is clearly entering a new, more sober phase. It is no criticism of Sir Brian's accomplished predecessor, David Wolfson, to say he has arrived at the right time. With the economy slowing, price inflation absent and competition intensifying, delivering value will not be so easy. Yet this is an area in which Sir Brian's credentials are unimpeachable. The upshot is likely to be a more cautious Next. Earnings growth will be slower, but quality of earnings will be better.

On just over 13 times 1999 earnings, the shares trade at a 20 per cent-plus discount to the market. That gap will surely close, although investors may have to wait until next year for positive newsflow to galvanise the rating.

Vickers

Following GKN and Alvis's decision to merge their armoured vehicles businesses, Vickers looks confused, not knowing whether to reduce or increase its exposure to defence. Yesterday's move to sack a fifth of the company's workforce – largely via the closure of its Leeds tank factory – is a rational response to its bleak order book. But simply reducing the headcount will not be enough to improve competitiveness in export markets. It must find a way to join in the industry's consolidation. However, paying a premium in a bid for Alvis would be a surefire way to destroy shareholder value. And European alliances look impractical for now, given obstacles of state and family ownership. Selling out to Alvis looks the best bet, although Sir Colin Chandler, Vickers chairman, may have to accept the business is worth next to nothing. Vickers could do worse than get out for free.

Next feels pinch with sales slowdown

By Peggy Hollinger

Next shares fell sharply yesterday as the high street fashion retailer reported disappointing sales increases over recent weeks and signalled a slowdown in the pace of growth in its mail-order business.

The group, which issued a profits warning in March, also reported a 30 per cent drop interim pre-tax profits from £71.2m to £50.2m ($84.3m), in line with expectations. Sales rose from £520.9m to £536.2m for the six months to July 31.

However, news of only a 1 per cent rise in like-for-like store sales over the first six weeks of the second half, and a 3 per cent increase in mail order, helped drive the shares 37½p lower to 407p, their lowest point since early 1996.

Analysts, who had been expecting current sales increases of between 4 and 5 per cent, cut their full-year forecasts by about £5m to a range of £158m-£165m (£184m). "They have gone from over-stocking to under-stocking and the more conservative stance will not grow their like-for-like sales going forward," said Tony Shiret of CSFB.

However, David Jones, chief executive, said he was "a lot happier" than he had been six months ago, when Next admitted that mistakes in its ranges and stocks had contributed to a sales fall.

Oil price slump hits BAe Saudi project

By Andrew Edgecliffe-Johnson

Shares in British Aerospace fell by 10 per cent yesterday, after the group disclosed that the fall in oil prices had cut the value of payments under the £20bn Al Yamamah defence contract with Saudi Arabia by at least £500m ($840m).

Sir Richard Evans, chairman, insisted that the Saudi government would make up the shortfall, estimated by analysts at £500m-700m, with a cash payment before the end of the year. "Never in my many years of dealing with Al Yamamah has the customer failed to meet his commitments to make good any outstanding cash balances," he said.

The £2bn-plus annual payments from Al Yamamah include 600,000 barrels of oil per day, which are sold on BAe's behalf. The "timing variances" resulting from the falling oil prices meant that BAe's working capital requirements effectively shifted from a surplus of £145m in 1997 to a deficit of £518m for the six months to June 30.

Most analysts said there was no reason to suppose that BAe would not receive the top-up payments in good time.

The group's interim results, announced yesterday, showed a 34 per cent improvement in pre-tax profit before exceptional items to £344m.

Its sale of a 16 per cent stake in Orange, the telecoms group, and the disposal of its interest in Orion Network Services, a satellite communications business, created an exceptional £401m gain which took pre-tax profits to £725m, compared to a £70m loss the year before.

The order book increased from £19.5bn to £23.5bn, or the equivalent of three years' sales. Sir Richard said: "In today's economic conditions, for BAe to announce yet another record level of order book is a remarkable achievement."

BAe expects to sign a further contract today for 142 Eurofighter aircraft, worth more than £1bn.

John Weston, chief executive, said the group's strategy remained unchanged, and that it was "talking to all the major players" about European defence consolidation. This would be "a means to an end," he said, with BAe's 10-15 year goal being to form part of the two or three largest global defence companies, he said. Although BAe had been "talking for some time to our US partners," the timing would depend on the US defence department.

Mr Weston added that he saw potential benefits in a merger with GEC, its UK rival, but "no talks are in prospect at present".

Commercial aerospace, defence systems and support services would be BAe's three main growth areas, he said. The commercial division, which has lost BAe about £3bn this decade, came into the black, with an £8m profit before interest, contrasted to last year's £20m loss. Losses on regional jets partly offset higher profits from Airbus Industrie, in which BAe has a 20 per cent stake.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barbican Health♦	6 mths to June 30	3	(1.68)	0.01L♠	(0.06L)	0.05L	(0.39L)	-	-	-	-	-
Bovis Homes	6 mths to June 30	97.5	(111)	18.9	(14)	-	(-)	3.33	Nov 27	-	-	-
British Aerospace	6 mths to June 30★	4,237	(3,871)	725♥	(70L♠)	28.7	(4.1L)	2.35	Nov 30	1.96	-	4.88
Cape	6 mths to June 30	115.4	(118.7)	4.8	(4)	6.1	(4.9)	3.25	Nov 13	3	-	6.5
Dolphin Packaging	6 mths to June 30	24.1	(21.7)	3.75	(3.2)	11.18	(9.53)	3.3	Nov 9	3	-	8.2
Dunloe Ewart♣	6 mths to June 30	12.8	(6.4)	2.55	(0.45)	0.53†	(0.44)	-	-	-	-	-
Folkes	6 mths to June 30	18.9	(20.1)	1.5	(2.2)	3.11	(4.57)	0.81	Dec 1	0.753	-	2.092
Geest	6 mths to July 4⚹	262.1	(227.3)	12.7	(12.7)	13.3	(12.5)	4.8	Dec 31	4	-	10
Golf Club♦	6 mths to June 28	0.867	(0.618)	0.173♥	(0.248♥)	0.01L†	(0.59)	-	-	-	-	-
Henlys	6 mths to June 30	157	(323)	16.2	(16.2)	20.4	(20.8)	6	Oct 16	5.5	-	16.5
Irish Life ♣	6 mths to June 30	-	(-)	140.2	(101)	30.5	(20.46)	4.3	-	3.9	-	13.2
Kwik-Fit	6 mths to Aug 31	251.7	(240)	33	(25.1)	13.4	(10)	2.66	Oct 16	2.35	-	6.6
Leeds Sporting	Yr to June 30♦	28.5	(22.8)	0.684	(6.23L)	0.23	(1.52L)	-	-	-	-	-
MDIS	6 mths to June 30	63	(56)	0.387L♠	(3.91L)	0.16L	(3.82L)	nil	-	nil	-	nil
Morrison (Wm)	6 mths to Aug 2	1,214	(1,126)	88.3	(61.7)	5.45†	(4.96)	0.45	Nov 9	0.4	-	2.1
MTL Instruments	6 mths to June 30	22.4	(20.6)	2.74	(2.61)	9.3	(8.8)	2.5	Oct 20	2.3	-	5.5
Next	6 mths to July 31	536.2	(520.9)	50.2	(71.2♥)	9.8	(13.9)	6.5	Jan 2	6	-	18
Princedale	6 mths to June 30	24.9	(30.2)	0.62♥	(0.753♥)	0.75	(0.79)	0.15	Nov 9	0.4	-	0.55
[illegible]	Yr to June 30	0.963	(1.09)	0.975♠	(1.28)	20.38	(21.41)	8.4	Nov 10	2‡	12.6	12
RMC	6 mths to June 30★	2,113	(2,084)	112.2	(115.9)	26.3	(25.9)	8.5	Dec 1	8.2大	-	28
Sherwood	6 mths to June 28	72.6	(76.1)	3.16	(3.13)	1.3	(1.3■)	1.3	Nov 26	1.3	-	3.8
SIG	6 mths to June 30	375.4	(277.2)	16.1	(14.7)	9.1†	(8.6)	2.8	Nov 17	2.6	-	7.8
Trace Computers	Yr to May 31	14.7	(17.3)	1.21♥	(0.635♥)	6.11	(3.35)	nil	-	nil	nil	nil
Trinity	6 mths to June 28	174.3	(160)	38.2♥	(32♥)	17.9	(16.1)	4.4	Oct 30	4	-	13.2
Turnpyke	6 mths to June 30	4.48	(3.51)	0.089L	(0.096)	0.35L†	(0.43)	nil	-	0.1	-	0.2
UCM	6 mths to June 30	22.2	(22.3)	2.11	(1.91)	5.3	(4.7)	1.9	Oct 21	1.8	-	5.5
Usher (Frank)	Yr to May 31	23.6	(21.9)	2.17	(2.15)	20.1	(19.7)	7	Nov 4	7	11	11
Vickers	6 mths to June 30	528.5	(567.9)	140.6♥	(15)	33	(1.9)	2.7	Oct 22	2.7	-	7.2
WML♦	6 mths to June 30	3.84	(2.92)	0.08L♠	(0.425)	0.5L	(1.2)	-	-	-	-	-
Wolstenholme Rink	6 mths to June 30	41.3	(42)	3.81	(3.62)	32	(29.5)	10.5	Nov 10	10	-	27

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dresdner RCM Smr	6 mths to July 31	244.6	(194.1)	0.085	(0.012)	2.04	(1.4)	1.4	Oct 30	1.3	-	2.6
Tor	Yr to July 31	2,469	(2,038)	1.6	(1.82)	33.9	(45.4)	12	Nov 13	11	45	44

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Aim stock. ★Comparatives restated. ⚹Comparatives for 27 weeks. ♦Comparatives pro forma. ‡Excludes second interim of 6p. 大Foreign income dividend. ■On reduced capital. ♣Irish currency.

ment in government bonds. seen

EURO PRICES

EQUITIES

Greenspan dashes rate cut hopes

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

Disappointment that Alan Greenspan, the chairman of the US Federal Reserve, failed to indicate that a US interest rate reduction was imminent helped to send European stock markets into decline yesterday.

Adding to the dashed rate hopes was a significant profit warning from Alctael, the French telecoms group, which prompted share price falls in related companies across the continent.

The electronics sector of the FTSE Eurotop 300 index, in which Alcatel is a leading component, fell 13.2 per cent with Alcatel dropping Ecu 54.20 to Ecu 86.73, Philips off Ecu 4.40 at Ecu 45.48 and Siemens down Ecu 5.60 at Ecu 51.57.

But electronics was not the worst sector of the day. That dubious honour belonged to information technology as SAP, the German software company, suffered a profits downgrade from a broker. It fell Ecu 71.80 to Ecu 422.55, while Cap Gemini dropped Ecu 14.90 to Ecu 123.48, as the sector tumbled 13.4 per cent.

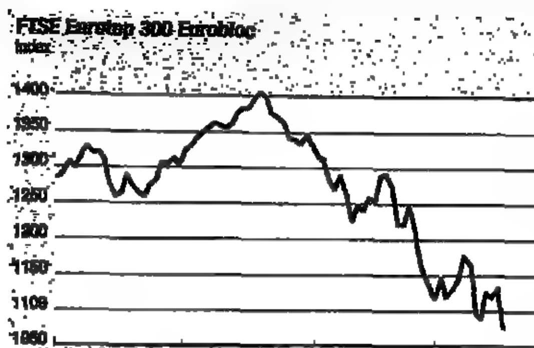
The Alcatel warning heightened fears that European profits estimates for 1999 may be too high. The latest report from IBES, the information group, revealed that profits in France and Germany are expected to rise by 18 per cent over the next 12 months, with earnings expectations for Germany and Italy still being increased in August.

Some sectors did manage a gain on the day, but they were the defensive utilities stocks. Elsewhere, there was a pretty drastic sell-off which some analysts thought might have been related to today's derivatives expiries.

Banks took another hit, with the retail sector dropping 5.1 per cent, as investors fears about the industry's emerging market exposure returned. UBS dropped Ecu 18.20 to Ecu 256.64 and Dresdner Bank Ecu 2 to Ecu 35.99.

It was a bleak day for the trans-European indices. The FTSE Eurotop 100 index fell 104.11 or 4.2 per cent to 2,376.48 and the broader Eurotop 300 dipped 44.89 to 1,035.10.

The FTSE Ebloc 100 index, comprising stocks in the core countries planning to join the euro, declined 44.35 or 4.9 per cent to 854.15.



THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov	-	95.915	+0.015	-	-	0	0
Mar	-	96.505	+0.015	-	-	0	5219
Jun	-	96.480	+0.025	-	-	0	1976
Sep	-	96.460	+0.035	-	-	0	1333

THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
96375	0.050		0.122		0.050		0.130	
96500	0.010	0.030	0.055	0.170	0.145	0.165	0.200	0.165

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2413.0	2380.0	-100.0	2425.0	2380.0	425	2419
Dec	2449.0	2404.0	-99.0	2448.0	2403.0	433	3576
Mar	-	2412.5	-100.0	-	-	0	117

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2350 C	2350 P	2375 C	2375 P	2400 C	2400 P	2425 C	2425 P	2450 C	2450 P	2475 C	2475 P	2500 C	2500 P	2525 C	2525 P
Sep	67	18	46	24	23	34	15	61	8	68	4	91	3	116	3	141
Oct	161	105	137	118	122	128	109	137	98	150	84	163	73	178	63	192

Est vol total 14. Prev day's open interest total 7,484. Premiums shown are based on settlement prices.

OTHER INDICES

	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	2884.21	2998.97	2986.30	3670.02	2574.51	3670.02	2884.21
DJ Euro Stx 50	2826.22	2971.83	2947.01	3658.48	2485.81	3658.48	2826.22
MSCI Europe	(u)	1079.17	1070.62	1315.55	860.50	1315.55	510.78

Source: Bridge/part of FT information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

September 17

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Ecu)
FTSE Eurotop 300	1035.10	-4.16	-44.89	2.75	22.78	1063.10
FTSE Eurotop 100	2376.48	-4.20	-104.11	2.71	34.08	849.74
FTSE Ebloc 100	854.15	-4.94	-44.35	2.38	14.09	866.10
FTSE Eurotop 300 Regions						
Eurobloc	1077.48	-4.88	-54.73	2.40	20.64	1099.44
UK	969.50	-2.90	-28.98	3.34	29.32	1011.79
Europe Ex-Eurobloc	1002.08	-3.44	-35.75	3.12	24.00	1033.55
Europe Ex-UK	1073.27	-4.77	-53.78	2.47	19.11	1092.49
FTSE Eurotop Industry Sectors						
RESOURCES	844.99	-1.95	-16.82	3.45	25.41	879.69
Extractive Industries	720.23	-1.24	-9.09	4.85	8.84	739.38
Oil, Integrated	817.78	-1.97	-16.40	3.37	18.25	834.07
Oil, Exploration & Prod	632.42	-3.78	-24.90	5.34	11.09	645.64
GENERAL INDUSTRIES	936.31	-6.53	-65.41	3.01	19.53	954.35
Construction	897.82	-3.97	-37.18	3.14	11.06	908.27
Building Matls & Merchs	792.84	-4.76	-39.68	3.28	8.05	798.75
Chemicals	797.41	-2.87	-23.57	3.03	16.87	810.90
Diversified Industrials	904.34	-1.69	-15.53	2.42	17.46	919.65
Electronic & Elect Equip	736.15	-13.16	-111.44	2.29	4.89	739.71
Engineering	808.22	-5.55	-47.35	4.19	9.57	813.76
Paper, Pckg & Printing	705.57	-4.61	-34.13	3.31	1.21	708.45
CONSUMER GOODS	1064.61	-2.79	-30.58	1.74	15.57	1090.04
Automobiles	827.01	-5.86	-51.41	3.18	10.25	834.68
Alcoholic Beverages	813.24	-2.50	-20.89	2.89	8.48	818.80
Food Producers	842.14	-5.27	-46.87	1.81	8.78	850.20
Household Goods & Texts	931.07	-2.42	-23.08	2.09	7.01	937.18
Healthcare	779.14	-4.44	-36.17	1.82	8.52	787.06
Pharmaceuticals	965.89	-1.96	-19.32	1.35	4.81	970.45
Tobacco	1107.57	-1.02	-11.37	4.35	1.81	1100.85
SERVICES	1085.30	-3.94	-44.48	2.43	21.18	1112.71
Distribution	721.06	-3.00	-22.32	3.07	11.37	729.18
Leisure & Hotels	681.66	-4.94	-35.42	2.58	12.27	690.60
Media	944.72	-1.25	-11.96	2.46	9.83	953.72
Retailers, Food	981.46	-3.25	-32.98	2.04	11.37	992.86
Retailers, General	863.62	-4.20	-41.88	3.60	16.63	871.16
Telecommunications	981.72	-4.28	-44.08	1.59	13.02	1003.77
Breweries, Pubs & Rests	695.51	-5.38	-39.38	3.89	14.30	706.06
Support Services	885.95	-2.84	-25.85	1.66	8.84	892.15
Transport	892.32	-1.98	-17.87	2.78	10.00	905.80
Information Technology	942.98	-13.38	-145.66	0.44	2.23	945.13
UTILITIES	1395.39	-0.67	-9.28	3.23	53.32	1439.29
Electricity	1027.71	-1.11	-11.54	3.41	28.23	1065.16
Gas Distribution	1052.40	+0.16	+1.73	1.72	84.81	1160.34
Water	1065.06	+0.16	+1.71	4.80	38.72	1105.79
FINANCIALS	1060.03	-4.78	-53.04	3.20	28.45	1087.45
Banks, Retail	736.65	-5.10	-39.16	4.21	12.65	738.21
Insurance	829.26	-4.49	-39.02	1.87	11.46	838.98
Life Insurance	959.76	-4.32	-43.34	1.79	9.10	968.01
Other Financial	760.71	-3.53	-27.45	2.72	14.06	781.32
Investment Companies	860.93	-1.18	-10.25	2.97	20.85	877.02
Property	763.32	-2.78	-21.38	3.54	10.01	767.17

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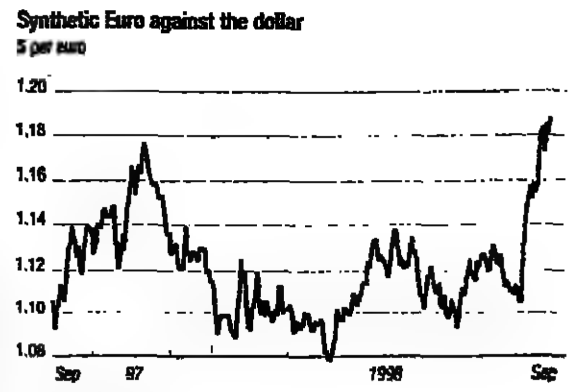
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Sep 17	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.056086	-0.0020	-0.01	-0.0021	-0.02
Belgium	BEF	41.223644	+0.0059	+0.01	-0.0112	-0.03
Czech Republic	CZK	36.584350	+0.1795	+0.49	+0.8126	+2.27
Denmark	DKK	7.520254	+0.0028	+0.04	+0.0080	+0.10
Finland	FIM	6.081943	-0.0018	-0.03	+0.0003	+0.00
France	FRF	6.700714	-0.0018	-0.03	-0.0005	-0.01
Germany	DEM	1.997806	-0.0003	-0.01	-0.0004	-0.02
Greece	GRD	343.312502	+0.8512	+0.25	-1.3082	-0.38
Hungary	HUF	260.021491	+0.6675	+0.26	+0.8824	+0.34
Ireland	IEP	0.799399	+0.0007	+0.09	+0.0013	+0.16
Italy	ITL	1974.730187	+1.1153	+0.06	+1.5096	+0.08
Luxembourg	LUF	41.223644	+0.0059	+0.01	-0.0112	-0.03
Netherlands	NLG	2.252981	-0.0003	-0.01	-0.0014	-0.06
Norway	NOK	8.875145	-0.0044	-0.05	-0.1168	-1.30
Poland	PLN	4.262529	+0.0349	+0.83	+0.0589	+1.40
Portugal	PTE	204.751624	-0.0095	+0.00	-0.0057	+0.00
Romania	ROL	10778.277596	+96.2538	+0.90	+103.5000	+0.97
Russia	RUB	17.645904	+1.7635	+11.10	+2.0598	+13.22
Slovakia	SKK	40.952701	-0.1162	-0.28	-0.2054	-0.50
Spain	ESP	169.671717	+0.0146	+0.01	-0.0738	-0.04
Sweden	SEK	9.283898	+0.0588	+0.64	-0.0755	-0.81
Switzerland	CHF	1.641103	-0.0050	-0.30	-0.0001	-0.01
United Kingdom	GBP	0.704094	-0.0006	-0.08	+0.0017	+0.25
ECU	ECU	1.017222	-0.0000	+0.00	+0.0010	+0.10
Americas						
Brazil	BRL	1.402246	+0.0092	+0.66	+0.0102	+0.73
Canada	CAD	1.810294	+0.0330	+1.86	+0.0245	+1.37
Mexico	MXN	12.296387	+0.4104	+3.45	-0.1851	-1.48
United States	USD	1.188344	+0.0074	+0.63	+0.0075	+0.64
Pacific/Middle East/Africa						
Australia	AUD	2.001409	+0.0098	+0.49	+0.0227	+1.15
Hong Kong	HKD	9.207168	+0.0586	+0.64	+0.0563	+0.61
Japan	JPY	157.164399	-2.1419	-1.34	-1.2057	-0.76
Singapore	SGD	2.046922	+0.0092	+0.45	+0.0035	+0.17
South Africa	ZAR	7.311285	+0.0899	+1.25	-0.0926	-1.25

Source: FTSE International Ltd. The table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying EDP weights to Euro "in" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3264, FRF 0.2217, ITL 0.1823, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0338, FIM 0.0187



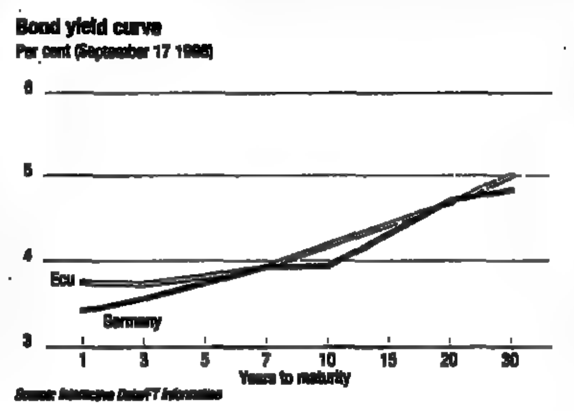
Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Source: The WM Company.

BONDS



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

FTSE EUROTOP 300

Prices rise strongly as equities fall

GOVERNMENT BONDS

By Khozem Merchant in London and John Labate in New York

Prices rallied strongly in Europe and the US yesterday as equities fell on the back of comments on Wednesday from Alan Greenspan, chairman of the US Federal Reserve, that appeared to rule out a cut in US interest rates in the short term.

In Europe, the flight from equities into bonds forced yields down sharply across core European economies.

US TREASURIES gained ground in early trading as equities plunged on renewed earnings and emerging market concerns.

By early afternoon, the benchmark 30-year bond had risen $\frac{15}{32}$ to $104\frac{21}{32}$, sending the yield towards record lows at 5.187 per cent. Treasury bills fell but the 10-year note climbed $\frac{13}{32}$ to $106\frac{11}{32}$, yielding 4.796 per cent, and the two-year note was up $\frac{1}{8}$ at $100\frac{12}{32}$, yielding 4.683 per cent.

The market added to its sharp gains made on Wednesday after Mr Greenspan's testimony before Congress.

The Fed chairman's remarks did little to suggest that a rate cut would occur soon, but bond prices rose as the discussion turned to issues of global deflation.

Analysts said price movements in the Treasury market were mostly being influenced by changes in equity prices.

Important domestic US economic reports were released in the morning session.

The consumer price index rose 0.2 per cent in August, a stronger reading than some had expected. Excluding the volatile food and energy sectors, the CPI was also up 0.2 per cent.

In a separate report, the US trade deficit was shown to have widened by a smaller than expected 2.1 per cent to $13.9bn in July.

In UK GILTS, the December future settled at 115.06, up 0.92.

In the cash market, the yield on 10-year gilts touched a low of 5.0 per cent and the yield on the December 7¼ per cent 2007 bond fell to 4.97 per cent.

The FTSE 100 closed down 3 per cent, its fifth-biggest one-day points drop.

Gilts were also buoyed by slowing retail sales, which were in line with market forecasts and encouraged expectations of a cut in UK interest rates. Turnover on Liffe was 72,000 contracts.

"This is more evidence of the UK slowing and of inflation being capped. There is potential for an easing of monetary policy," said James Mitchell, senior strategist at Nomura.

In GERMAN BUNDS, the December futures contract closed at 114.25, up 0.77. In the cash market the yield on 10-year bund futures fell to 3.94 per cent, a post-war record, on turnover of 560,000 contracts.

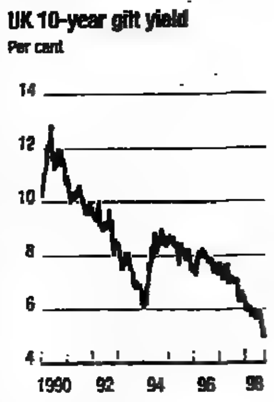
The bund rally was strongly influenced by the IFO index of business sentiment.

That came in well below market expectations, undermining Bundesbank suggestions earlier this week that strong domestic demand would steer the economy through the current turmoil.

"The trends in individual markets are being manifested globally," said Mr Fishwick, international economist at Nikko Securities in London.

UK 10-year gilt yield

Per cent



Source: Datastream/ICV

DtA launches dollar global

INTERNATIONAL BONDS

By Vincent Boland

As markets around the world continued to gyrate, the AAA rated international bond market provided one area of relative stability, continuing to see strong demand for top-quality paper in liquid issues.

Capitalising on that demand, Deutsche Ausgleichsbank (DtA)launched its first dollar global – a $1bn, five-year issue priced to yield 58 basis points over the comparable US Treasury.

The German state-owned development bank, comparable to KfW and backed by the triple-A sovereign rating, provides loans to small and medium enterprises.

DtA is already well-known among European investors but had held roadshows in the US earlier this week with the aim of luring a wider investor base.

"This was a strategic issue to attract US investors," said a banker at Salomon Smith Barney, joint lead with Lehman Brothers.

The leads said 35-40 per cent of the issue was sold to US investors following meetings between DtA and individual investors during the roadshow. About 45-50 per cent went to traditional European investors, with the rest going to Asian buyers.

The bonds were launched early yesterday with price talk of 57 basis points, but swap spreads had widened by the time of pricing later in the day and the banks said a successful deal was possible at 58 basis points.

At that level the issue was priced in line with existing DtA paper, which trades a little behind KfW mainly because of the latter's better name recognition.

Bankers said investors were increasingly prepared to get back into the market, but they were only buying triple-A paper.

"Investors have seen a big build-up of cash and are looking to come back in, but only for AAA rated and dollar issues," one said.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Deutsche Ausgleichsbank	1bn	5.125	99.891R	Sep 2003	0.25R	+58(5%Aug03)	Lehman/Salomon SB
BOHT 1998-1(f)+‡	850	(f1)	100.00	Dec 2005	0.25	-	CSFB
World Bank(a)	200	[illegible]	102.624R	Feb 2008	0.325R	+42(5%May08)	ABN Amro/Goldman
Bacob Overseas	60	5.25	100.193R	Nov 2001	0.25R	+52(5%May01)	Artesia/KBC Bank
STERLING							
World Bank(b)	150	7.125	109.255	Jul 2007	0.325	-	Warburg Dillon Read
Residential Mtg Secs 4(c)‡	151	(c1)	99.82R	Sep 2038	0.225R	-	Barclays Capital
European Inv'ment Bank(d)	75	6.25	104.045	Dec 2008	0.325	+50(9%Oct08)	HSBC Markets
European Inv'ment Bank(g)	75	6.00(e)	107.522	Dec 2028	0.45	+68(6%Dec28)	Barclays Capital
YEN							
Nomura Global Funding	20bn	0.90(s)	99.97	Sep 2002	0.40	-	Nomura International
EUROSEK							
Nomura Global Funding	200	3.80(s)	99.97	Sep 2002	1.00	-	Nomura International
DANISH KRONER							
Tractebel Invest Intl	400	5.00(f)	102.22	Dec 2004	1.875	-	Generale Bank
IRISH POUNDS							
Crims No 2, Class A(h)‡	188	(h1)	99.90R	Aug 2030	0.19R	-	Warburg Dillon Read
GREEK DRACHMA							
GECC	10bn	9.25	99.95R	Oct 2001	0.1875	-	TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $2.3bn. Plus 232 days accrued. b) Fungible with £300m. Plus 52 days accrued. c) Fungible with £96.8m. Plus 13 days accrued. Average life: 2.6 yrs. Callable from Sep 05 at par. c1) 3-mth Libor +18bp to Sep 05, then +50bp. c2) Class B of £8.9m and Class M of £8.1m were privately placed. d) Fungible with £700m. Plus 245 days accrued. e) Payments in Ecu prior to Emu. f) Banc One Heloc Trust. Secured on mortgages. Average life: 3.43 yrs. f1) 1-mth Libor +25bp. g) Fungible with £1bn. Plus 186 days accrued. h) Celtic Residential Irish Mortgage Securitisation. Originator: First Active plc. Callable from Aug 06 at par. h1) 3-mth Dibor +20bp to Aug 06, then +50bp. h2) Class B of I£12m priced on 21/9/98. i) Over interpolated yield. j) Long 1st coupon. s) Short 1st coupon.

OTE opts for MTNs to finance purchases

By Kerin Hope in Athens

OTE, Greece's public telecommunications operator, plans to finance the acquisition of equity stakes in other Balkan operators through issuing up to $1.1bn in medium-term notes.

George Karaplis, finance director, said yesterday the company was looking for a "more flexible way of covering future investment requirements" than the convertible bond issue it was considering earlier this year.

Merrill Lynch and Morgan Stanley have been appointed as advisers for the MTN programme, but no launch date has been set.

OTE is bidding for a 35 per cent stake in RomTelecom, the Romanian state operator due to be privatised this year. It also intends to bid for 51 per cent of Bulgarian Telecoms Company, which is being offered for sale next month.

Its regional expansion plan also includes Moldova and Macedonia, which have both launched privatisation procedures for their state telecoms operators.

"We can't budget far in advance because we don't know when or whether our bids will be successful," Mr Karaplis said. "An MTN programme makes it possible to raise sizeable sums at relatively short notice."

All four sales of Balkan operators were due to be completed by mid-year, but timetables have been hit by political instability and administrative delays.

Moody's, the US credit rating agency, is understood to have given OTE an investment grade rating of Baa1 for foreign currency debt, the same as Greece's sovereign rating.

NEWS DIGEST

RUSSIAN DEBT

Sibneft refinances $54m foreign short-term loan

Sibneft, Russia's seventh biggest company and one of the main integrated oil groups, has successfully refinanced a $54m short-term foreign loan in spite of the Russian financial crisis. Eugene Shvidler, Sibneft president, yesterday said the refinancing was made possible by the strength of the company's relationship with several European banks. Sibneft had recently helped some western banks to recover funds from other Russian companies, he said.

The interest rate on the new loan is thought to be several percentage points above the 8 per cent level of the previous borrowing. Mr Shvidler expressed confidence that Sibneft would be able to arrange further fresh loans in the near future. Sibneft also announced that it would use its own resources to redeem in full a $200m six-month promissory note issued on its behalf by Salomom Brothers in March.

Mr Shvidler also disclosed that Elf Aquitaine, the French oil group that recently made a public statement saying it was no longer seeking an equity stake in Sibneft, was in fact trying to take advantage of the Russian financial crisis to "get Sibneft assets cheaper". Asked whether Elf's actions would influence Sibneft's attitude towards future dealings with the French group, Mr Shvidler said: "It will definitely affect our view of them, absolutely."

Robert Corzine

CREDIT RATINGS

S&P lowers Slovakia to BB+

Standard & Poor's, the US credit rating agency, yesterday lowered its rating of Slovakia from investment to speculative grade only days before next weekend's general election. The downgrade, from BBB– to BB+, follows a similar action by Moody's, the rival US rating agency, earlier this year. Only Romania and Bulgaria are now rated lower than Slovakia among the countries from central Europe applying for membership of the European Union.

S&P said that the downgrading reflected the "inconsistent" economic policies being pursued by the Slovak government led by prime minister Vladimir Meciar. The combination of an expansive fiscal policy, a pegged exchange rate and a tight monetary policy had led to rising deficits in both the state budget and the current account of the balance of payments, which were being financed by foreign borrowings.

Foreign debt rose to more than $11bn in the first half of 1998 and was forecast to reach about $12bn by the end of the year. The projected debt ratios of 60 per cent of gross domestic product and 95 per cent of exports were more than 20 percentage points higher than only two years ago, said S&P.

The Slovak downgrade follows S&P's decision this week to downgrade Russia by one notch to CCC minus.

Kevin Done, East Europe Correspondent

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Sep 17	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.2179	4.93	+0.09	-0.09	-0.33	+0.27
	08/08	8.750	126.0307	5.33	+0.05	-0.08	-0.21	-0.78
Austria	07/00	5.875	103.7800	3.68	-	+0.10	-0.25	-0.55
	01/08	5.000	105.8700	4.22	-0.07	-0.07	-0.40	-1.39
Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK, US, ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing. *New York mid-day. Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

Sep 17	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	[illegible]	[illegible]	[illegible]	New Zealand	[illegible]	[illegible]	[illegible]

EMERGING MARKET BONDS

Sep 17	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Sprd vs US
[illegible]								

London closing. Prices in UCS. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	-	109.75	-	-	-	-	-
Dec	109.56	110.09	+0.65	110.28	109.55	137,591	108,767

LONG TERM FRENCH BOND OPTIONS (MATIF); Germany; Italy; Spain; UK; US; Japan — [illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	-	102.14	+0.28	-	-	-	-

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

Sep 17	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	110.0650	4.23	-0.06	-0.34	+0.31
Spain	01/07	6.750	AA	110.0200	4.28	-0.05	-0.37	+0.30
Philip Morris	03/04	5.375	A	104.1400	4.50	-0.05	-0.42	+0.68
[illegible]								

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices — [illegible]

FT Fixed Interest Indices — [illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest — [illegible]

ment in government bonds. seen [illegible]

صكا من الاجل

Rate cut doubts ends US dollar rally

MARKETS REPORT

By Christopher Adams

The dollar resumed its recent slide yesterday as the US stock markets tumbled and expectations that the Federal Reserve would cut interest rates intensified.

Comments by Alan Greenspan, the Fed's chairman, that the world's leading central banks were not planning a concerted interest rate cut provided only temporary support for the dollar, which has fallen on expectations of an imminent rate reduction.

His remarks late on Wednesday initially lifted the dollar, but dealers were reading them differently yesterday.

"Greenspan has downplayed the chances of an immediate cut in US rates, but in highlighting the economic risks going forward he has held out the chances of an easing further down the line," said Paul Meggyesi at Deutsche Bank in London.

"Rate cut expectations are liable to persist and will frustrate any tendency for the dollar to stage a meaningful recovery."

"The market still believes that eventual US rate cuts will be forthcoming," said Rob Minikin, currency strategist at Citibank in London.

As the Russian rouble took another hammering and the Canadian dollar fell sharply, forcing the country's central bank to intervene, stock markets around the world were sinking.

Political wrangling in Japan over a rescue plan for the country's Long Term Credit Bank sparked a slide in equity prices across Europe and in the US, causing the dollar to slip from Y134.9 to Y132.2.

Rather perversely, support for the yen came from fears that the troubled banking sector could be forced to repatriate overseas assets to shore up weakened balance sheets.

But much of the dollar's weakness also stemmed from the crisis affecting Latin American markets. With no indication that the US was prepared to offer a credit line to the region's troubled economies, the recent rally in Brazilian stock prices appeared unjustified.

As consumer demand falls away in Brazil as a result of sharply higher interest rates, pressure on the Federal Reserve to cut US rates will grow. Latin America accounts for some 20 per cent of US exports.

■ Fuelling the perception that the Fed will be the first of the western economies to relax monetary policy was the decision yesterday by Germany's Bundesbank to leave interest rates on hold.

Guntram Palm, a Buba council member, told German radio that its monetary policy "should in no way be considered restrictive". He added that Europe was to some extent protected from the turmoil in emerging markets because of the introduction of a single European currency in January, which reduced the likelihood of speculative attacks on participating currencies.

His comments echoed those of other central bankers in Europe and were reinforced by Denmark's central bank intervening twice yesterday to support the Danish kroner, which will not be subsumed into European monetary union.

Sterling initially benefited from stronger than expected UK retail sales figures, but was later battered by falls in equities. It was trading at $1.68 versus the dollar by late afternoon, virtually unchanged from the previous day.

■ Fears that Russia would resort to Soviet-era tactics in an attempt drag itself out of the mire were confirmed as Yevgeny Primakov, its newly-appointed prime minister, announced plans to print roubles in order to save banks and pay off state debts.

The rouble, which has already see-sawed violently in recent weeks amid uncertainty over the direction of fiscal policy, lost nearly a third of its value in Moscow's currency exchange kiosks yesterday.

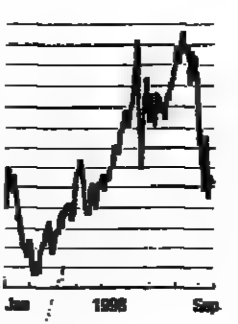
On the Moscow Interbank Currency Exchange, the rouble fell from Rb12.4 to Rb15.8 against the dollar.

Lawrence Summers, the deputy US Treasury secretary, warned that such moves could result in disastrous hyper-inflation.

"They must resist the pressure to spend and lend," he told the House of Representatives international committee.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ **POUND IN NEW YORK**

Sep 17	—Latest—	— Prev. close —
£ spot	1.6835	1.6770
1 mth	1.6810	1.6745
3 mth	1.6755	1.6693
1 yr	1.6550	1.6490

■ **OTHER CURRENCIES**

Sep 17	£	$
Czech Rp	51.9001 - 52.0119	30.7630 - 30.8090
Hungary	389.092 - 389.480	218.760 - 218.890
Iran	5054.60 - 5061.60	3000.00 - 3005.00
Kuwait	0.5127 - 0.5134	0.3039 - 0.3041
Peru	5.1426 - 5.1524	3.0480 - 3.0520
Poland	6.0465 - 6.0565	3.5950 - 3.5965
Russia	24.4644 - 25.6605	14.5000 - 15.2000
U.A.E.	6.1967 - 6.2008	3.6728 - 3.6730

WORLD INTEREST RATES

MONEY RATES

Sep 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3½	3½	3½	3½	6.00	2.75	-
France	3¼	3½	3½	3½	3½	4.60	-	3.30
Germany	3¼	3½	3½	3½	3½	4.50	2.50	3.30
Ireland	6½	6¼	5¾	4¾	4½	-	-	6.19
Italy	5¼	5½	4¾	4½	4	6.50	5.00	5.16
Netherlands	3½	3½	3½	3½	3½	-	2.75	3.30
Switzerland	1¼	1½	1½	1½	1½	-	1.00	-
US	5¼	5½	5½	5¼	5¼	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5⅝	5½	5½	5¼	-	-	-
US Dollar CDs	-	5.32	5.29	5.22	5.09	-	-	-
ECU Linked Ds	-	4⅛	4⅛	3¾	3¾	-	-	-
SDR Linked Ds	-	3½	3¼	3½	3½	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝
Danish Krone	4 - 3¾	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼	4⅜ - 4¼
German Mark	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Dutch Guilder	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½
Portuguese Esc.	4¾ - 4½	4⅝ - 4½	4½ - 4⅜	4⅜ - 4¼	3⅞ - 3¾	3¾ - 3⅝
Spanish Peseta	4⅝ - 4½	4⅝ - 4½	4½ - 4⅜	4⅜ - 4¼	4⅛ - 4	[illegible]
Sterling	7⅝ - 7	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	[illegible]	[illegible]
Swiss Franc	1⅝ - 1⅛	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½
Canadian Dollar	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	5¾ - 5⅝
US Dollar	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5½ - 5⅜	5⅜ - 5¼	5¼ - 5⅛
Italian Lira	5⅛ - 5	5¼ - 5	5⅛ - 5	4¾ - 4⅝	4⅝ - 4½	4⅜ - 4¼
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	7⅝ - 7	4⅛ - 4	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.47	96.46	-	96.47	96.44	5,953	33,593
Mar	96.47	96.51	+0.01	96.53	96.47	8,192	54,757

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	96.480	96.480	-	96.485	96.470	1600	14304
Mar	96.510	96.510	+0.010	96.530	96.475	63011	525994
Jun	96.470	96.485	+0.020	96.510	96.445	39580	289207
Sep	96.435	96.465	+0.030	96.490	96.410	32988	233750

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Oct	-	96.565	+0.025	-	-	0	0

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.190	96.180	-	96.220	96.180	15439	187736
Mar	96.460	96.480	+0.020	96.500	96.440	11255	268948
Jun	96.430	96.450	+0.020	96.470	96.410	4663	85254
Sep	96.390	96.440	+0.030	96.450	96.390	1617	41415

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.250	98.340	+0.100	98.350	98.250	15118	69685
Mar	98.280	98.340	+0.100	98.350	98.260	10290	36990
Jun	98.180	98.250	+0.100	98.250	98.180	3587	27923
Sep	98.100	98.150	+0.100	98.140	98.080	1277	15367

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.43	+0.03	-	-	0	n/a
Mar	-	99.46	+0.02	-	-	0	n/a
Jun	-	99.49	+0.02	-	-	0	n/a

* LIFFE futures also traded on APT

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Nov	-	95.915	+0.015	-	-	0	0
Mar	-	96.505	+0.015	-	-	0	5219
Jun	-	96.480	+0.025	-	-	0	1976
Sep	-	96.460	+0.035	-	-	0	1333

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
96125	0.180			0.115		
96250	0.110	0.320	0.350	0.170	0.090	0.150
96375	0.070			0.255		

Est. vol. total, Calls 5083 Puts 1040. Previous day's open int., Calls 82359 Puts 69848

POUND SPOT FORWARD AGAINST THE POUND

Sep 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.9825	+0.0136	938 - 712	20.0170	19.9130	[illegible]	3.6	19.7725	3.8	19.3015	3.2	103.6
Belgium	(BFr)	58.5483	+0.0575	[illegible] - 874	58.6620	58.4350	58.3561	3.9	57.9881	3.8	56.6685	3.2	103.7
Denmark	(DKr)	10.8224	+0.0231	150 - 298	10.8619	10.7985	10.7990	2.5	10.7593	2.3	10.6133	1.9	107.0
Finland	(FM)	8.6377	-0.0047	309 - 444	8.6620	8.6270	8.6104	3.8	8.5556	3.8	8.3577	3.2	82.6
France	(FFr)	9.5164	+0.0053	115 - 209	9.5376	9.4952	9.4859	3.8	9.4262	3.8	9.2125	3.2	107.3
Germany	(DM)	2.8370	+0.002	[illegible] - 382	2.8470	2.8308	2.8278	3.9	2.8097	3.8	2.7461	3.2	106.6
Greece	(Dr)	487.577	+1.618	247 - 907	488.734	484.858	489.852	-5.7	494.834	-6.0	512.94	-5.2	68.8
Ireland	(I£)	1.1353	+0.0019	330 - 375	1.1383	1.1325	1.1341	1.2	1.1304	1.7	1.1055	2.6	96.2
Italy	(L)	2804.54	+3.94	328 - 579	2811.84	2792.35	2799.32	2.2	2788.28	2.3	2727.21	2.8	76.7
Luxembourg	(LFr)	58.5483	+0.0575	992 - 974	58.6620	58.4350	58.3561	3.9	57.9881	3.8	56.6685	3.2	103.7
Netherlands	(Fl)	3.1997	+0.0022	979 - 015	3.2075	3.1910	3.1889	4.1	3.168	4.0	3.0957	3.2	103.2
Norway	(NKr)	12.6046	+0.0043	[illegible]	12.6545	12.5485	12.6136	-0.9	12.6266	-0.7	12.6282	-0.2	93.2
Portugal	(Es)	290.791	+0.233	[illegible] - 978	291.537	290.219	290.057	3.0	288.594	3.1	281.808	3.1	92.8
Spain	(Pta)	240.970	+0.223	814 - 126	241.730	240.820	240.41	2.8	239.18	3.0	233.651	3.0	77.7
Sweden	(SKr)	13.1848	+0.0845	745 - 950	13.2015	13.0230	13.1592	2.1	13.0831	3.1	12.8581	2.5	82.5
Switzerland	(SFr)	2.3307	-0.0051	282 - 332	2.3402	2.3257	2.3191	6.0	2.2969	5.8	2.2147	5.0	108.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.6
Ecu	-	1.4447	+0.0012	428 - 464	1.4508	1.4388	1.4409	3.2	1.4330	3.2	1.4012	3.0	-
SDR†	-	1.227800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6874	+0.0119	868 - 879	1.6927	1.6768	-	-	-	-	-	-	-
Brazil	(R$)	1.9814	+0.0147	[illegible] - 822	1.9871	1.9791	-	-	-	-	-	-	-
Canada	(C$)	2.5708	+0.049	[illegible] - 730	2.5785	2.5412	2.5673	1.7	2.5606	1.7	2.5323	1.5	77.1
Mexico	(New Peso)	17.4635	+0.5971	408 - 513	17.5484	16.9723	17.9865	-35.0	18.971	-34.5	23.1586	-32.6	-
USA	($)	1.6877	+0.0119	872 - 882	1.6930	1.6771	1.6852	1.8	1.68	1.8	1.6604	1.6	108.9
Pacific/Middle East/Africa													
Australia	(A$)	2.8425	+0.0163	404 - 445	2.8778	2.8306	2.837	2.3	2.8299	2.3	2.7989	1.8	77.5
Hong Kong	(HK$)	13.0761	+0.094	718 - 803	13.1140	12.9982	13.0881	-1.1	13.143	-2.0	13.5069	-3.0	-
India	(Rs)	71.7539	+0.5818	[illegible]	71.9380	71.2850	-	-	-	-	-	-	-
Indonesia	(Rupiah)	18730.39	-16.08	284 - 794	19045.30	17624.30	19891.81	-90.2	21394.44	-56.4	26077.5	-40.7	-
Israel	(Shk)	6.5011	+0.0724	[illegible]	6.5106	6.4660	-	-	-	-	-	-	-
Japan	(Y)	223.207	-2.262	065 - 348	226.650	222.410	221.872	7.2	219.252	7.1	208.792	6.5	114.9
Malaysia	(M$)	6.4135	+0.0454	114 - 152	6.4325	6.3735	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.3167	+0.015	134 - 200	3.3368	3.2905	3.3117	1.8	3.3028	1.7	3.2672	0.9	98.5
Philippines	(Peso)	73.8370	+0.4391	619 - 120	74.2247	73.4149	74.3729	-8.7	75.3734	-8.3	80.5285	-8.1	-
Saudi Arabia	(SR)	6.3302	+0.0461	280 - 320	6.3499	6.2925	6.3253	0.9	[illegible]	0.9	6.2893	0.6	-
Singapore	(S$)	2.9071	+0.0156	046 - 096	2.9119	[illegible]	2.9011	2.5	2.8908	2.2	2.8559	1.8	-
South Africa	(R)	[illegible]	+0.1384	[illegible]	10.4065	10.2247	10.6848	-14.0	10.7487	-14.1	11.8346	-14.0	-
South Korea	(Won)	2234.93	+29.94	171 - 818	[illegible]	2210.58	-	-	-	-	-	-	-
Taiwan	(T$)	58.2679	+0.369	[illegible] - 273	58.4779	57.9580	[illegible]	0.4	58.4287	-1.0	[illegible]	-1.6	-
Thailand	(Bt)	68.6303	+0.3015	[illegible]	68.8470	68.3700	68.7484	-2.1	[illegible]	-4.6	73.7468	-7.5	-

† Rates for Sep 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	[illegible]	-0.076	[illegible]	11.9050	11.8010	[illegible]	2.1	11.7732	2.0	[illegible]	1.6	105.8
Belgium	(BFr)	[illegible]	-0.213	700 - 100	34.8700	34.6080	34.6295	2.1	34.5175	2.0	34.13	1.6	103.7
Denmark	(DKr)	6.4125	-0.0379	100 - 150	6.4439	6.3950	6.4036	0.7	6.4045	0.5	6.372	[illegible]	106.5
Finland	(FM)	5.1180	-0.0337	[illegible]	5.1453	5.1045	5.1094	2.0	5.0923	2.0	5.0225	1.7	[illegible]
France	(FFr)	5.6387	-0.037	377 - 397	5.6865	5.6222	5.6298	2.1	5.6109	2.0	5.5484	1.6	107.1
Germany	(DM)	1.6810	-0.0108	[illegible]	1.6919	1.6764	1.6781	2.1	1.6725	2.0	1.6539	1.6	105.4
Greece	(Dr)	[illegible]	-1.095	750 - 010	290.580	287.790	290.7	-3.5	294.56	-7.8	309.325	-6.9	65.9
Ireland	(I£)	[illegible]	[illegible]	[illegible]	1.4912	1.4520	1.4855	0.5	[illegible]	0.1	1.502	-1.0	-
Italy	(L)	1661.75	-8.5	150 - 200	1671.50	1655.70	1661.11	0.5	1659.72	0.5	1642.5	1.2	76.7
Luxembourg	(LFr)	[illegible]	-0.213	700 - 100	34.8700	34.6080	34.6295	2.1	34.5175	2.0	34.13	1.6	103.7
Netherlands	(Fl)	1.8950	-0.0122	[illegible]	1.9084	1.8903	1.8923	[illegible]	1.8857	2.1	1.8644	1.7	103.1
Norway	(NKr)	[illegible]	-0.0507	[illegible]	7.5049	7.4303	7.486	-2.7	7.516	-2.5	7.6055	-1.8	92.9
Portugal	(Es)	172.300	[illegible]	[illegible]	173.400	171.500	172.119	1.3	171.730	1.3	169.77	1.5	93.5
Spain	(Pta)	142.780	-0.885	[illegible]	143.630	142.450	142.658	1.0	142.36	1.2	140.84	1.4	77.7
Sweden	(SKr)	7.8123	+0.0007	[illegible]	7.8246	7.7519	7.8033	1.4	7.7877	1.3	[illegible]	0.8	82.5
Switzerland	(SFr)	1.3810	-0.0129	805 - 815	1.3934	1.3764	1.3761	4.2	1.3672	4.0	1.3338	3.4	108.3
UK	(£)	1.6877	+0.0119	872 - 882	1.6930	1.6771	1.6852	1.8	1.68	1.8	1.6604	1.6	102.3
Ecu	-	[illegible]	+0.0073	660 - 665	1.1750	1.1623	[illegible]	-1.4	1.1722	-1.4	1.1851	[illegible]	-
SDR†	-	0.73310	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	[illegible]	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	[illegible]	+0.0004	[illegible]	1.1800	[illegible]	-	-	-	-	-	-	-
Canada	(C$)	1.5233	+0.0184	[illegible]	[illegible]	1.5130	1.5236	-0.1	1.5237	-0.1	1.5252	-0.1	78.2
Mexico	(New Peso)	10.3475	+0.2825	400 - 550	10.3570	10.3400	10.6725	-37.7	11.2925	-36.5	13.9475	-34.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	110.7
Pacific/Middle East/Africa													
Australia	(A$)	[illegible]	[illegible]	[illegible]	[illegible]	1.6816	1.6834	0.6	[illegible]	0.8	1.6701	0.8	77.7
Hong Kong	(HK$)	7.7479	+0.0009	476 - 481	7.7485	7.7470	7.7664	-2.9	7.8234	-3.9	8.1829	-5.6	-
India	(Rs)	42.5150	+0.05	100 - 200	42.5220	42.4700	42.945	-12.1	43.765	-11.8	47.01	-10.6	-
Indonesia	(Rupiah)	11110.00	-90	[illegible]	11250.00	10500.00	11685	-62.1	12735	-58.5	16910	-52.2	-
Israel	(Shk)	3.8521	+0.0159	487 - 554	3.8584	3.8317	-	-	-	-	-	-	-
Japan	(Y)	132.255	-2.645	210 - 300	134.730	131.850	131.655	5.4	130.51	5.3	125.75	4.9	114.1
Malaysia	(M$)	3.8000	-	[illegible]	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.9652	-0.005	[illegible]	1.9775	1.9604	1.9683	-1.9	1.9737	-1.7	[illegible]	-1.4	-
Philippines	(Peso)	43.7500	-0.05	[illegible]	43.9000	43.8000	44.1325	-10.5	44.888	-10.2	48.498	-10.9	-
Saudi Arabia	(SR)	3.7506	+0.0002	[illegible]	3.7511	3.7505	3.7534	-0.9	3.7593	-0.9	3.7878	-1.0	-
Singapore	(S$)	1.7225	-0.003	215 - 235	1.7270	1.7150	1.7215	0.7	1.7208	0.4	1.72	0.1	-
South Africa	(R)	6.1525	+0.0375	450 - 600	6.1600	6.0930	6.2335	-15.8	[illegible]	-15.0	7.1275	-15.8	-
South Korea	(Won)	1363.50	+6	[illegible] - 500	1386.00	1376.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.5250	-0.032	[illegible] - 300	[illegible]	34.480	34.565	-1.4	34.775	[illegible]	35.65	-3.3	-
Thailand	(Bt)	40.6650	-0.11	300 - 000	40.7700	40.52	40.795	-3.8	41.315	-6.4	44.416	-9.2	-

† SDR rate per $ for Sep 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 16: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.49	16.25	4.846	1.939	4790	5.465	21.53	496.7	411.6	22.52	3.981	1.708	4.391	2.883	381.2	2.457
Denmark	(DKr)	54.10	10	8.793	2.621	1.049	2591	2.957	11.65	268.7	222.7	12.18	2.154	0.924	2.376	1.559	206.2	1.336
France	(FFr)	61.52	11.37	10	2.981	1.193	2947	3.362	13.25	305.6	253.2	13.85	2.449	1.051	2.702	1.773	234.5	1.518
Germany	(DM)	20.64	3.815	3.354	1	0.400	988.5	1.128	4.443	102.5	84.94	4.647	0.822	0.352	0.906	0.595	78.68	0.509
Ireland	(I£)	51.57	9.533	8.383	2.499	1	2470	2.818	11.10	256.1	212.3	11.61	2.053	0.881	2.266	1.487	196.6	1.272
Italy	(L)	2.088	0.386	0.339	0.101	0.040	100	0.114	0.449	10.37	8.592	0.470	0.083	0.036	0.092	0.060	7.959	0.052
Netherlands	(Fl)	18.30	3.382	2.974	0.887	0.355	876.5	1	3.939	90.88	75.31	4.121	0.728	0.313	0.803	0.527	69.76	0.451
Norway	(NKr)	46.46	8.588	7.550	2.251	0.901	2225	2.539	10	230.7	191.2	10.46	1.849	0.793	2.040	1.335	177.1	1.146
Portugal	(Es)	20.13	3.722	3.273	0.976	0.390	964.5	1.100	4.335	100	82.87	4.534	0.802	0.344	0.884	0.580	76.76	0.497
Spain	(Pta)	24.30	4.491	3.949	1.177	0.471	1164	1.328	5.231	120.7	100	5.472	0.967	0.415	1.067	0.700	92.63	0.599
Sweden	(SKr)	44.40	8.208	7.216	2.152	0.861	2127	2.427	9.560	220.5	182.8	10	1.768	0.758	1.950	1.280	169.3	1.096
Switzerland	(SFr)	25.12	4.643	4.083	1.217	0.487	1203	1.373	5.408	124.8	103.4	5.657	1	0.429	1.103	0.724	95.77	0.620
UK	(£)	58.55	10.82	9.516	2.837	1.135	2805	3.200	12.60	290.8	241.0	13.18	2.331	1	2.571	1.688	223.2	1.445
Canada	(C$)	22.77	4.210	3.702	1.104	0.442	1091	1.245	4.903	113.1	93.73	5.129	0.907	0.389	1	0.656	86.82	0.562
USA	($)	34.69	6.413	5.639	1.681	0.673	1662	1.896	7.469	172.3	142.8	7.812	1.381	0.593	1.523	1	132.3	0.856
Japan	(Y)	26.23	4.849	4.264	1.271	0.509	1256	1.434	5.647	130.3	108.0	5.907	1.044	0.448	1.152	0.756	100	0.647
Ecu	-	40.53	7.492	6.588	1.964	0.786	1941	2.215	8.725	201.3	166.8	9.127	1.613	0.692	1.780	1.168	154.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5936	0.5977	+0.0032	0.5995	0.5930	29,233	144,161
Mar	0.6005	0.6009	+0.0031	0.6005	0.6000	9	181
Jun	-	0.6030	+0.0038	0.6032	-	-	149

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7247	0.7308	+0.0054	0.7330	0.7239	16,226	64,371
Mar	-	0.7378	+0.0061	0.7385	-	3	93
Jun	-	0.7440	+0.0054	0.7440	-	2	3

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7501	0.7617	+0.0189	0.7642	0.7490	25,828	74,554
Mar	-	0.7711	+0.0107	0.7711	-	46	2,983
Jun	-	0.7808	-	-	-	110	898

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6704	[illegible]	+0.0096	1.6866	1.6700	6,087	46,526
Mar	-	1.6750	+0.0108	1.6750	-	30	29
Jun	-	1.6708	+0.0124	1.6700	-	1	204

UK INTEREST RATES

LONDON MONEY RATES

Sep 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅜ - 6½	7½ - 7⅛	7¾ - 7⅝	7¾ - 7⅝	7⅝ - 7½	7⅛ - 6⅞
Sterling CDs	-	-	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	7⅛ - 7
Treasury Bills	-	-	7⅝ - 7½	7⅝ - 7½	-	-
Bank Bills	-	-	7¾ - 7⅝	7⅝ - 7½	7⅝ - 7½	-
Local authority deps.	7 - 6¾	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	6¾ - 6⅝
Discount Market deps	7½ - 7⅛	7½ - 7⅛	-	7¼ -	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	5.5	5.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Sep 4 7.0964pc. ECGD fixed rate Stlg. Export Finance. Make up day Aug 28, 1998. Agreed rate for period Sep 23, 1998 to Oct 25, 1998, Scheme III 8.56pc. Reference rate for period Aug 1, 1998 to Aug 28, 1998, Schemes IV & V 7.740pc. Finance House Base Rate 8pc from Sep 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.910	92.930	+0.015	92.930	92.860	52583	183074
Mar	93.310	93.360	+0.060	93.360	93.300	37865	155784
Jun	93.620	93.670	+0.060	93.670	93.610	21558	151723
Sep	93.760	93.830	+0.070	93.840	93.760	[illegible]	121959
Dec	93.800	93.860	+0.060	93.870	93.800	13750	140288

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
92750	0.280	0.685	1.000	0.100	0.075	0.080
92875	0.200			0.145		
93000	0.140	0.480	0.790	0.210	0.120	0.120
93125	0.095			0.290		
93250	0.060	0.330	0.600	0.380	0.220	0.180
93375	0.040			0.485		

Est. vol. total, Calls 17880 Puts 5735. Previous day's open int., Calls 457920 Puts 408047

EMS EUROPEAN CURRENCY UNIT RATES

Sep 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	336.858	+0.535	-5.64	5.32	38
Ireland	0.796244	0.784073	-0.000282	-1.53	0.92	18
Italy	1957.61	1938.78	+0.58	-0.96	0.35	7
Spain	168.220	166.634	-0.019	-0.94	0.32	7
Denmark	7.54257	7.48027	-0.00077	-0.83	0.21	6
France	6.63186	6.57892	-0.00093	-0.80	0.18	7
Germany	1.97738	1.96187	-0.00031	-0.78	0.16	8
Belgium	40.7844	40.4713	-0.0087	-0.77	0.15	6
Portugal	202.692	201.123	+0.014	-0.77	0.15	5
Austria	13.9119	13.8050	-0.002	-0.77	0.15	6
Netherlands	2.22799	2.21230	-0.00036	-0.70	0.08	5
Finland	6.01125	5.97392	+0.00007	-0.62	0	4
NON ERM MEMBERS						
UK	0.653644	[illegible]	[illegible]	5.73	-6.61	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.670	2.02	2.51	-	1.42	2.08	-
1.680	1.50	2.00	2.37	1.88	2.55	3.13
1.690	1.10	1.59	-	2.51	3.14	-

Previous day's vol., Calls 40 Puts 46. Prev. day's open int., Calls 1,051 Puts 3,435

■ PHILADELPHIA SE D-MARKS OPTIONS DM62,500 (cents per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.585	1.30	1.58	1.75	0.51	0.79	0.81
0.590	1.08	1.29	1.43	0.71	0.81	1.02
0.595	0.74	1.03	1.21	0.95	1.15	1.30

Previous day's vol., Calls 275 Puts 113. Prev. day's open int., Calls 2,345 Puts 8,937

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.77	94.78	+0.01	94.81	94.74	141,437	472,808
Mar	94.99	95.02	+0.02	95.05	94.98	172,349	473,840
Jun	95.02	95.07	+0.04	95.10	-	110,249	385,150

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.65	95.65	+0.04	95.67	95.64	363	1,381
Mar	95.88	95.89	+0.11	95.89	-	31	127
Jun	-	-	-	-	-	42	22

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
96375	0.100	0.115	0.140		0.005	0.080	0.085	
96500	0.040	0.060	0.075	0.165	0.110	0.130	0.145	0.155
96625	0.015	0.030	0.045		0.210	0.225	0.240	
96750	0.005	0.020	0.030	0.085	0.325	0.340	0.350	0.325

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls 281043 Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
98500	0.070	0.130	0.170	0.230	0.290	0.420
98625	0.040			0.325		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 13155 Puts 4322

BASE LENDING RATES

	%		%		%
Adam & Company	7.50	Exeter Trust Limited	8.50	Smith & Williamson	7.50
Allied Irish Bank (GB)	7.50	Financial & Gen Bank	8.00	Sun Bank	7.50
●Henry Ansbacher	7.50	●Robert Fleming & Co	7.50	TSB	7.50
Banco Bilbao Vizcaya	7.50	Habib Bank AG Zurich	7.50	United Bank of Kuwait	7.50
Bank of Cyprus	7.50	Heritable & Gen Inv Bk	7.50	Unity Trust Bank Plc	7.50
Bank of Ireland	7.50	C. Hoare & Co	7.50	Whiteaway Laidlaw	7.50
Bank of India	7.50	●Hambros Bank	7.50	Yorkshire Bank	7.50
Bank of Scotland	7.50	Hongkong & Shanghai	7.50		
Barclays Bank	7.50	Investec Bank (UK) Ltd	7.50	● Members of London Investment Banking Association	
Brit Bk of Mid East	7.50	Julian Hodge Bank	7.50		
●Brown Shipley & Co Ltd	7.50	●Leopold Joseph & Sons	7.50		
Citibank NA	7.50	Lloyds Bank	7.50		
Clydesdale Bank	7.50	Midland Bank	7.50		
The Co-operative Bank	7.50	NatWestminster	7.50		
Coutts & Co	7.50	●Rea Brothers	7.50		
Cyprus Popular Bank	7.50	Royal Bk of Scotland	7.50		
Duncan Lawrie	7.50	Scottish Widows Bank	7.50		
		●Singer & Friedlander	7.50		

Pulp producers still waiting for a rebound in prices

Manufacturers are barely covering production costs and the bearish sentiment shows no sign of lifting, writes **Greg McIvor**

Pulp producers are used to false dawns. At the start of this year they were confidently predicting stronger prices: nine months on, they are still waiting for the rebound to arrive.

Prices of wood pulp, the key determinant of paper and packaging prices, have been dogged by weakness throughout 1998. Softwood pulp is currently at $480 a tonne – less on the spot market – its lowest since 1994.

At rates like these, manufacturers are barely covering their production costs and the bearish sentiment that has enveloped the sector in recent months shows no sign of lifting.

News this week that North American and European pulp inventories increased sharply in August has deepened short-term pessimism and cast a shadow over prospects for paper prices.

The announcement that North American and Scandinavian (Norscan) stocks grew by 92,000 tonnes – or 5 per cent – last month was in line with market expectations. Nevertheless, many companies had hoped for a sign that warehouse levels might be stabilising, heralding a rise in pulp prices.

At 1.95m tonnes, the Norscan inventory is well beyond the 1.5m tonne threshold traditionally deemed to indicate a good balance between supply and demand in the industry.

"Things will get worse before they get better," says Thomas Brodin, forestry specialist at Salomon Smith Barney in London. "I think we are going down to $450. When the recovery point comes will depend on how inventories perform."

He points out that both customer and producer deliveries remain high, highlighting the overcapacity that plagues the sector. This excess capacity has been exacerbated by a lack of discipline among manufacturers in curbing supply, and a flood of hardwood pulp to Europe from hard-pressed Asian producers.

However, Mr Brodin says producers will soon have little option but to take downtime as pulp prices drop close to cost level. "They will be forced to take downtime because otherwise they will lose their shirts."

Two leading European pulp producers, Enso of Finland and Sweden's MoDo, yesterday announced temporary production halts in an attempt to curb further inventory build-up.

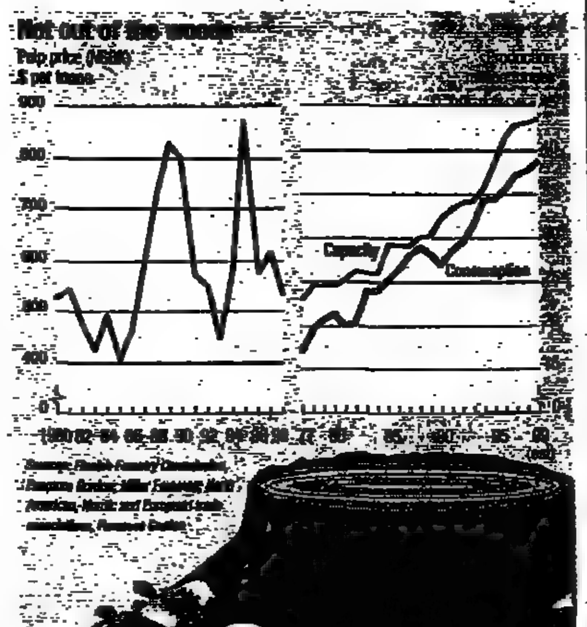
A belief among many analysts that pulp prices could fall further is reinforced by Pulpex, the London-based pulp futures market, where the December contract was trading at $433.50 yesterday. With the March contract quoted at $463, the market does not envisage much of an upswing before the second quarter of 1999.

Nicholas Spoliar, paper and packaging analyst at Panmure Gordon in London, says "the risk just now is still on the downside". Nonetheless, there are encouraging signs that prices are close to the bottom.

The Asian crisis has reduced new capacity start-ups and the cancellation of orders, which will lead to improved industry fundamentals. "Looking forward beyond the next year or so, the environment is much improved," Mr Spoliar said.

Also, the return of Chinese merchants to the European market has been hailed as a good omen because of the reputation of the Chinese for buying in the trough of the cycle.

One analyst at a Stockholm based investment bank suggests prices could start to recover by the end of this year. "The worst is behind the sector in the current cycle but the recovery will take time and will be slow," he says.



However, he admits the outlook remained unpredictable. Paper and board grades are affected in varying degrees by lower pulp prices. Fine paper, used in offices and for printing, is one of the more exposed to short-term pulp price falls.

MoDo said yesterday it believed a previously announced 4-8 per cent rise in the fine paper price from October 1 would be accepted by the market but industry observers are sceptical.

"I don't think the environment is right for a price increase. There is still a bit of a capacity overhang in fine paper and the pulp price is very low," says Mr Spoliar at Panmure Gordon.

Paper producers will face a struggle to raise prices in the next few months. Asian demand for paper and board is expected to fall by 2-3 per cent this year, the first decline since 1981.

The Asia factor, coupled with a perceived risk of slower economic growth in Europe and the pulp price deterioration, has reduced manufacturers' room for manoeuvre. Lightweight coated magazine paper and kraftliner, a key ingredient of corrugated packaging board, are seen as vulnerable to price weakness, while rates for newsprint – the biggest single paper grade – are predicted to stay stable or increase slightly.

Cocoa below £1,000 a tonne

MARKETS REPORT

By Paul Solman

Cocoa prices fell below £1,000 a tonne for the first time in more than a year yesterday, as fears over Russian demand and rumours of a larger crop in Ivory Coast, the biggest producer, triggered heavy selling.

"The price is smashed; people who have gone long are panicking," said Tony Chadwick, at Prudential-Bache in London. "The main worry is Russia – talk of cancelled contracts and the fear it will spread to Europe."

There were also reports that Cadbury-Schweppes had temporarily halted production at its largest chocolate factory in Russia. By the close, December cocoa had clawed back to £1,018 a tonne on the London International Financial Futures Exchange, down £17.

Analysts expect the price to pick up further. "There's an assumption that Russians will stop eating chocolate because of the crisis – but it's not going to happen," said Mr Chadwick.

In a report released today, ED&F Man said west African output was likely to be much lower this season, and there is a question mark over Indonesia, the third largest producer: "It is difficult to see how production growth can eliminate the deficit next season.... Therefore the 1998-99 season is likely to yield the seventh production deficit in eight years."

Crude oil rose on London's International Petroleum Exchange, with December Brent at $13.59 a barrel in late trading compared with Wednesday's close of $13.26.

On the London Metal Exchange, base metals succumbed to economic worries, with three-month zinc shedding $88 to close at $1,000 a tonne.

CAP REFORM UK, ITALY, SWEDEN IN PLAN

EU pressed to abolish milk quotas

By Michael Smith in Brussels

The UK, Italy, Sweden and Denmark yesterday finalised plans to join forces to press for the abolition of European Union milk quotas, the 14-year old system that restricts production, from the middle of the next decade.

They will tell their EU partners next week that proposals by the European Commission, the EU's executive, to lift quotas by 2 per cent as part of a reform of the common agricultural policy, are insufficient.

Instead, they want the quotas lifted by 4 per cent in phases as a prelude to their abolition in 2006.

They are also pressing for a 30 per cent cut in guaranteed prices at which the EU buys diary products if markets are weak. The Commission has proposed a 15 per cent cut.

The submission, intended for debate by farm ministers later this month, marks an intensification of the growing debate on reform of the CAP, proposals for which are scheduled to be finalised by March of next year.

The Commission also wants reform of the beef and cereals sectors, which with milk constitute the main areas of CAP expenditure.

Germany is among states fighting hard to limit the scope of the proposed changes. With France, it is likely to oppose the proposals on milk put forward yesterday by the UK, Denmark and Sweden, the three strongest supporters of reform, and Italy.

The four dissident states' proposals suggest the price cuts should be accompanied by compensatory payments for farmers.

According to their paper, total dairy expenditure would rise to Ecu5.9bn ($6.85bn) a year in 2006, compared with the Ecu4.55bn envisaged under the Commission's proposals.

However, the proponents of deeper reform argue that their proposals would be within EU guidelines for overall CAP expenditure and that the result would be a more competitive sector, better able to respond to market opportunities.

Their approach, they say in their paper, would gradually reduce support prices to world levels and would "liberate the EU from constraints on subsidised exports, leaving it free to compete for a growing share of world markets".

It would also put the EU in a strong position in the forthcoming negotiations within the World Trade Organisation, the paper argues.

The proponents of the plan also argue for the EU's so-called intervention mechanism, whereby it guarantees to buy butter and milk if prices fall below a certain level, to be replaced by private storage.

Under private storage arrangements, the EU would finance the temporary removal of produce from the market rather than purchase the products itself.

The four dissident states would have enough votes to form a blocking minority to any EU proposals on milk and could, in theory, prevent an extension of the quota system beyond 2000.

The Commission believes the intervention of the dissident countries will strengthen its hand in seeking reform.

Flooding pushes up the cost of raw jute

By Kunal Bose in Calcutta

Prices of raw jute are rising sharply as most jute growing areas in India and Bangladesh, the world's main producers, remain under flood waters. The Indian benchmark TD-4 has jumped 20 per cent to Rs930 a quintal (1,000kg) since the beginning of August.

"The price rise is due to the total dislocation in the movement of raw jute from the growing centres to the market in Calcutta," said D. J. Wadhwa, managing director of Champdany Industries, a big Indian jute group. "We still do not know how much of the 1998-99 [July to June] crop is lost due to the floods."

India, the largest jute producer, harvested over 10m bales of 180kg each last year and the industry's pre-flood forecast for this season was 8m bales.

The Indian Jute Balers Association (IJBA) says at least 1m bales will be lost in the flood, and the jute trade has revised the crop estimate to 6.5m bales.

Jute producing centres such as Murshidabad, Dinajpur, Malda, Jalpaiguri and lower Assam have seen large quantities of harvested jute washed away.

In Bangladesh, over 70 per cent of jute growing areas have been submerged. A crop of 4.5m bales was expected this year before the floods hit. Last year, the country produced a record crop of 6.3m bales.

Bangladesh has reserve stocks and should be able to maintain exports as well as provide jute for domestic factories. However, trade officials say there will be little jute left to carry over to the next season, causing runaway inflation in fibre prices starting in January.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1321-22	1352-53
Previous	1326.5-27.5	1357-58
High/low		1360/1345
AM Official	1321.5-22	1350-51
Kerb close		1353-54
Open int.	282,913	
Total daily turnover	102,184	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1140-45	1170-75
Previous	1135-45	1168-73
High/low		1175/1170
AM Official	1120-30	1155-60
Kerb close		1170-75
Open int.	7,377	
Total daily turnover	2,174	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	511.5-12.5	526-27
Previous	513-14	527.5-28.0
High/low		527/524
AM Official	512-2.5	525-6
Kerb close		523-4
Open int.	37,278	
Total daily turnover	8,818	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4000-10	4070-80
Previous	4030-40	4105-10
High/low		4110/4050
AM Official	3980-85	4055-60
Kerb close		4075-80
Open int.	60,107	
Total daily turnover	16,248	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5450-60	5340-50
Previous	5435-95	5385-90
High/low		5380/5325
AM Official	5470-80	5355-65
Kerb close		5350-55
Open int.	13,339	
Total daily turnover	2,334	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	975-76	1000-1001
Previous	1016-17	1041-42
High/low		1033/998
AM Official	995-6	1020-20.5
Kerb close		999-1000
Open int.	78,944	
Total daily turnover	50,284	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1639-40	1664-65
Previous	1652-54	1677-79
High/low		1676/1651
AM Official	1643-44	1666-67
Kerb close		1656-57
Open int.	164,331	
Total daily turnover	57,172	

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	291.8	+3.3	287.0	287.0	-	-
Oct	291.3	+3.2	291.8	288.0	2,166	9,869
Dec	293.9	+3.8	294.8	288.8	26,960	78,341
Feb	295.1	+3.3	296.4	294.4	517	11,990
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS IPE

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	71.50	-	-	-	-	20
Nov	72.85	+0.10	73.10	72.70	64	2,097
Jan	74.85	+0.15	73.80	74.05	116	2,341
Mar	76.60	+0.10	77.00	76.65	[illegible]	[illegible]

■ WHEAT CBT

■ MAIZE CBT

■ BARLEY LIFFE

■ SOYABEANS CBT

■ SOYABEAN OIL CBT

■ SOYABEAN MEAL CBT

■ POTATOES LIFFE

■ FREIGHT (BIFFEX) LIFFE

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	981	-17	991	981	13	46
Dec	1013	-17	1026	984	5,931	67,581
Mar	1043	-17	1056	1024	3,676	41,346
May	1062	-16	[illegible]	1047	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE ($ per tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	62.350	+0.600	62.400	61.200	11,082	30,773
Dec	64.575	+0.750	64.600	63.525	5,927	31,321
Feb	64.150	[illegible]	[illegible]	[illegible]	[illegible]	14,586
Apr	65.450	+0.500	65.550	64.775	1,060	7,697

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

PULP AND PAPER

INDICES

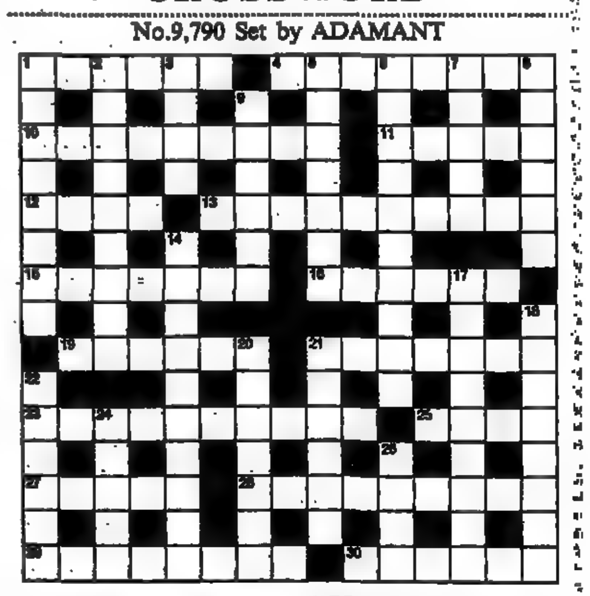
Wool from Mallett & Co

The Australian market fell sharply again at early sales but subsequently stabilised, albeit at a low level. The Eastern market indicator shed another 10 cents on Tuesday but lost no further ground as the week progressed, closing at 517 cents a kg – the low for the current season to date. Compared with the previous week, the northern, southern and western regional indicators all closed lower. New Zealand saw prices for Merino and Halfbred wools move lower, with Crossbreds mixed. The overall NZ market indicator closed four cents lower at 408 NZ cents a kg, its lowest level so far this season.

JOTTER PAD

CROSSWORD

No.9,790 Set by ADAMANT



ACROSS

1 Powerful Italian banker requires temporary cover (6)
4 Unfortunately slain by the German, one living in Sicily, perhaps (8)
10 Order other ranks to take steps about Ulster's return (9)
11 Ceases to get the rash back (5)
12 Headgear for the gangster (4)
13 Making light of taking car on motorway – a crime at midnight (10)
15 Dismiss the money man (7)
16 Always showed the way round and gave evil smile (6)
19 Writer wasted pity on Peter or Paul (6)
21 Wreck rescued and tied up (7)
23 Transfer to another form? (10)
25 Stone work by a beginner (4)
27 Food for amusing chap, we're told (5)
28 He put a car out of order – it brought him down to earth (9)
29 Reflections of ghost running round ruined hut (8)
30 Artillery not bad for a bloody carrier (6)

DOWN

1 Forward looking decision to support ambassador on borders of country (8)
2 Boringly solid, yet prepared to accept upstart (9)
3 No German, it's said, has one over the eight (4)
5 PS: Alice Turner is exceptional (7)
6 Temperance would be earnest resolution (10)
7 Something to wear when it's very warm after day on island (5)
8 Give up being a sap about George I (6)
9 Darker at home – that is, in the Two Kings (6)
14 Softening the sentence with German money held in independent restraint (10)
17 Transport distressed partner around English university (9)
18 Relationship of those not in the same union (8)
20 Drunk going to second place (7)
21 Journey taken as fair exchange (6)
22 Professional gets suitable money (6)
24 Averse, it's said, to worker being in firm (5)
26 Some mascara leaves a mark (4)

Solution 9,789

P	E	A	T	M	O	O	R		O	B	E	L	U	S
R		L		A		R		S		O		A		C
O	T	T	E	R		D	I	P	S	W	I	T	C	H
M		E		C		I		I		S		E		U
P	A	R	T	H	E	N	O	N		T	H	R	U	M
T		N		O		A		E		R				A
		L	A	W	F	U	L		T	R	E	A	S	O	N
A		T		P						E		L		N
P	I	E	R	R	O	T		E	N	T	R	A	P	
O				O		O		N		R		P		C
S	P	R	I	G		P	E	T	R	U	C	H	I	O
T		E		R		P		I		N		A		O
A	T	P	R	E	S	E	N	T		N	E	P	A	L
T		E		S		R		L		E		P		E
E	N	L	I	S	T		B	E	T	R	A	Y	E	R

من الأصل

CAP REFORM

EU pressed to abolish milk quotas

JOTTER PAD

CROSSWORD

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

Foreign & Colonial Portfolios Fd Sicav(s)

Frontrunner I (u)

Mercury Asset Management - Contd.

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Credit Suisse Asset Mgmt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Friends Provident International

American Phoenix Investment Portfolios (u)

Generali International Limited

OFFSHORE INSURANCES

ment in government bonds. seen profitability

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

Royal & Sun Alliance Intl Financial Srvs - Contd.

Pacific Chartered Capital Mgmt Limited

Global Asset Management

Jardine Fleming Unit Trusts Ltd

OTHER OFFSHORE FUNDS

AXA Asset Management

The Siemmore Property Fund Ltd - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

صكذا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AIM

AIM - Continued

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend cover are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- Figures or report awaited.
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension.
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress.
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion.

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Equities retreat as Greenspan speech disappoints

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The three-day rally in London's equity market was brought to an abrupt halt yesterday, with stock prices diving and wiping out almost all the gains so carefully garnered in the previous three sessions.

The damage to the market's still-fragile confidence came from general disappointment that Alan Greenspan, chairman of the US Federal Reserve, did not make any reference to the possibility of a reduction in US interest rates in his speech on Wednesday.

And his statement that there was, at present, no plan to co-ordinate interest rate cuts, was taken badly by Asian and European stock markets.

At the finish of a session of unrelenting weakness, the FTSE 100 index closed 158.8, or 3 per cent, lower at 5,132.9, the fifth-worst points fall on record.

The weakness in equities was in stark contrast to big gains in gilts where the yield on the 10-year gilt fell to 5 per cent for the first time since 1957. The market's second-liners and smallcaps also took a hammering but much less than front-line issues. The FTSE 250 dipped 71.4 or 1.5 per cent to 5,132.9, and the FTSE SmallCap 19.6 or 1 per cent to 2,072.2.

London's performance, although dire, was by no means as bad as its European counterparts. Frankfurt and Paris dropped around 5 per cent, the latter hampered by a shock profits warning from Alcatel.

A series of poor results and profit warnings from a number of leading companies was another factor behind a general rout in the UK stock market. Those disappointing numbers and warnings added to the growing view among analysts that the corporate earnings outlook for this year and next is deteriorating by the day.

And stockbrokers also pointed out that the weakness in the market is "killing off primary business", as one put it. "Much of the corporate activity so painstakingly planned in recent months, is being pulled."

Dealers also took the view that this morning's dual expiry of the FTSE future and index options might well bring further excessive pressures to bear on market sentiment.

The extent of the sell-off took many dealers by surprise with many noting that Wall Street had plenty of time on Wednesday evening to digest Mr Greenspan's comments.

Rather, they said, it was the threat of a spread of the Asian/Russian crises to Latin America that prompted much of the weakness in global markets.

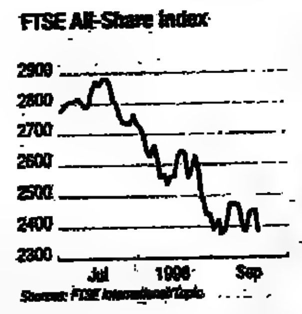
Add in the shock to the Paris market of the Alcatel profits warning, which knocked 38 per cent off the stock's value, and the result was a very bad day for equity sentiment.

The list of winners in the FTSE 100 just crept into double figure, but featured one of the insurance stocks, GRE, long regarded as a takeover target.

The losers list was headed by British Aerospace, whose share price was crippled by cashflow concerns rather than perfectly acceptable interim results.

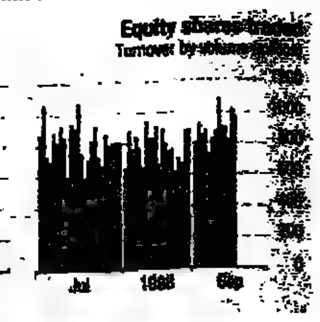
Turnover in equities was 979.3m shares by the 6pm count, of which 53 per cent was in non-Footsie stocks.

FTSE All-Share index



Source: FTSE International/Topic

Equity shares traded
Turnover by volume



Indices and ratios

FTSE 100	5132.9	−158.8	FT 30	3152.9	−114.1
FTSE 250	4687.2	−71.4	FTSE Non-Fins p/e	20.28	20.84
FTSE 350	2460.1	−69.1	FTSE 100 Fut Sep	5219.0	−73.0
FTSE All-Share	2386.94	−64.72	10 yr Gilt yield	5.06	5.21
FTSE All-Share yield	3.22	3.21	Long gilt/equity yld ratio	1.62	1.62

Best performing sectors

1 Gas Distribution +1.09
2 Utilities +0.41
3 Electricity +0.29
4 Water +0.02
5 Tobacco −0.54

Worst performing sectors

1 Food Producers −4.80
2 Insurance −4.67
3 Retailers: Food −4.65
4 Breweries: Pubs & Rest −5.04
5 Electronic & Elect Equip −6.36

Brokers hit food groups

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Food retailers came under sustained pressure after a couple of brokers turned negative on the sector.

BT Alex Brown downgraded its recommendation from "neutral" to "underweight" while Teather & Greenwood advised clients to "sell" the sector.

David McCarthy at BT Alex Brown cited weak industry sales and pressure on gross margins for the move before adding that "adverse differential inflation also makes for a difficult trading environment".

Analysts at Teather & Greenwood said: "Following recent downgradings amongst the majors, earnings per share growth in the sector for the current year has all but evaporated. While the sector has been less impacted by global events than others, this is a worrying development and undermines the perceived safe-haven status."

The negative sector stance coincided with news that *J Sainsbury* is to launch an advertising campaign next week in a move dealers said was confirmation of pressures on the sector and the group.

Sainsbury shares fell 37 to 525p as the company continued to meet analysts. CSFB was said to have reiterated its sell stance while Credit Lyonnais Securities was reported to have suggested a switch into Tesco, 8 lower at 163p. The negative sentiment in the sector also saw Asda Group fall 6¼ to 174½p. Safeway lost 12¼ to 305½p.

British Aerospace endured a roller-coaster ride. In early trading the shares responded well to interim results that came in broadly in line with expectations. However, a closer look by analysts at the results statement saw the shares lose gains. They quickly chalked up a substantial retreat on fears for the falling oil price on the company's cashflow.

They finished the day the worst performers in the Footsie, down 36 at 326p in brisk trade of 11m.

The 24 per cent pre-tax advance contained a net exceptional charge of £20m which left the underlying figure at £324m, within the range of forecasts.

However, BAe warned it had seen a significant increase in its use of cash for working capital, largely due to the falling value of oil under its Al Yamamah arms-for-oil supply agreement with Saudi Arabia. In the first half of the year, low oil prices affected BAe's cash flow due to a discrepancy between Al Yamamah oil revenue and the value of deliveries it had made.

Among retail banks, HSBC and Standard Chartered retreated after SBC Warburg Dillon Read was reported to have chopped its profit expectations for both groups because of the downturn in Asian economies.

The broker also downgraded the recommendation on the two banking giants from "buy" to "hold".

Warburg was said to have cut its current year forecast for HSBC from £7.021bn to £6.410bn and the following year's estimate to £6.314bn from £8.302bn.

Current year profit expectations at Standard were downgraded to £777m from £840m and it reduced its 1999 estimate to £680m from £945m.

The profit warning from RMC that highlighted a decline in building activity in eastern Germany and subdued demand in the UK prompted downgrades as the stock fell 68 to 682p. Earlier this year the shares stood at £14.

Analysts had not expected to see much of an advance on the previous interim figure of £115m pre-tax, but were unhappy to see a fall of 3 per cent.

The company pointed to bad weather in the US and northern Europe, poor trading in eastern Germany and Israel, the strong pound, subdued demand in the UK and Austria, and political unrest in Indonesia. Before the interim results, a consensus of analysts' forecasts suggested they expected a full-year pre-tax result of about £320m but there was talk that downgrades were being made of £20m.

Circle blues

The poor sentiment spread to Blue Circle which fell 22¼ to 244½p ahead of results today. It is highly exposed to emerging markets and analysts have pencilled in an 8 per cent fall in the interim figures.

The profit warning by Alcatel that wreaked such damage on the European stocks also took its toll on GEC which fell 39 to 424p. The company owns a 24 per cent stake in Alsthom, its former joint venture with Alcatel.

Nervous trading in hotels and gaming group Ladbroke Group saw the shares decline 23¼ to 221½p. Talk in the market suggested the government will soon publish the Monopolies and Mergers Commission investigation into the Ladbroke's takeover of the Coral betting shop chain in January.

The MMC handed its recommendations to the Department of Trade and Industry on July 24.

Strength in the bond market was said to be behind the advance in Guardian Royal Exchange. The shares jumped 9¾ to 251½p, the best performer in the FTSE 100.

Figures at the bottom of market expectations saw shares in clothes retailer Next surrender 37½ to 407p. General profit-taking was also said to have played a part in the retreat.

Next reported a sharp fall in interim profits from £71.2m to £50.2m after problems with its spring and summer ranges, but was confident of recovery in the second half and said like-for-like sales in the first six weeks of the autumn/winter season for its retail operations were up 1.5 per cent.

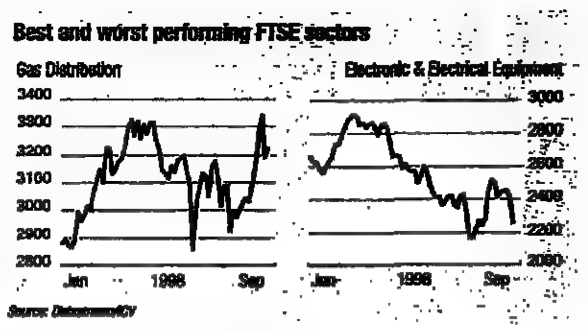
Cable group Telewest Communications was the best performer in the FTSE 250 as investors piled into the shares ahead of the stock's entry into the FTSE 100 index on Monday. By the close, volume had reached a hefty £12m.

Sentiment in the stock was also helped by Tuesday's news that US media company MediaOne International had conditionally agreed to raise its stake in Telewest.

Confirmation that EMI has pulled out of the bidding for Polygram's films division, produced good support for the shares which had fallen away after EMI expressed its original interest.

The defensive qualities of utilities brought that sector to the fore. Centrica edged up 2¼ to 102½p, PowerGen 11½ to 850½p, National Power 4 to 541p and Scottish Power the same amount to 574p.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Sep 17	Sep 16	Sep 15	Sep 14	Sep 11	Yr ago	*High	*Low
FT 30	3152.9	3267.0	3266.0	3271.2	3187.3	3247.6	3984.0	3138.8
Ord. div. yield	3.37	3.26	3.27	3.27	3.35	3.47	4.22	2.72
P/E ratio net	19.91	20.56	20.51	20.51	20.01	21.18	25.41	15.80
P/E ratio nil	19.82	20.46	20.42	20.43	19.93	20.89	25.19	15.71

FT 30 since compilation: high 3920.3 11/05/98; low 49.4 26/06/40 Base Date 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3267.0	3214.8	3192.9	3168.3	3171.2	3153.8	3147.8	3162.8	3270.0	3138.8

STOCK MARKET TRADING DATA

	Sep 17	Sep 16	Sep 15	Sep 14	Sep 11	Yr ago
SEAQ bargains	66,888	62,335	57,400	62,389	65,768	45,028
Equity turnover (£m)†	-	2960.9	2443.8	2873.3	3742.1	2477.7
Equity bargains†	-	48,491	42,053	47,839	48,158	41,478
Shares traded (m)†	-	822.8	787.7	840.0	1091.5	682.8
Total market bargains‡	-	63,790	57,357	62,778	66,568	-
Total turnover (£m)‡	-	4233.2	3445.8	3833.3	4845.2	-
Total shrs traded (m)‡	*979.3	1086.6	967.6	1048.1	1405.6	-
Tradepoint turnover (£m)	23.8	28.0	17.4	31.1	40.5	8.5
Tradepoint shrs traded(m)	7.5	9.8	8.6	11.5	12.2	1.8

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	237	Total Highs	77	Total contracts	41,074
Total Falls	1,427	Total Lows	236	Calls	17,051
Same	1,298			Puts	24,023

Sep 17 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5240.0	5129.0	-163.0	5244.0	5093.0	54262	82931
Dec	5320.0	5200.0	-171.0	5323.0	5168.0	45461	170405
Mar	-	5249.0	-166.0	-	-	0	1941

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	4700.0	-70.0	-	-	0	656
Dec	-	4760.0	-70.0	-	-	0	7091

FTSE 100 INDEX OPTION (LIFFE) (*5131) £10 per full index point

	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P	5300 C	5300 P
Sep	183	4	137½	8½	96	15½	61	30½	34	52½	16½	85	6½	125½	2	172
Oct	371	189	333	184	302½	204	272	226	242	244½	271½	265	182½	289½	160½	318
Nov	476½	251	446	271½	415½	291½	385	311½	354	331½	323½	352	293	372½	166½	399
Dec	598½	295½	539	318	500½	340½	469½	360½	436½	375	407	384	375	398½	343½	423
Jun†			667½	533			754	576½			[illegible]	619½			643	683

Calls 3,502 Puts 4,907

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P
Sep	161	7	117½	13½	78½	24½	47	43	23½	68½	9½	105½	3	149	1	196½
Oct	347½	177½	314½	194	282½	212	252	231	223½	252	196	274½	171	299	148	325½
Nov	466½	274	434½	289½	401½	306	370	323½	339	342	308½	362	281½	380	255	406
Dec	506½	315	602	330½	471½	348½	441½	367½	410½	386	380½	405	353½	427	328½	452
Mar†			683	477			632½	513½			571½	548½			515	586

Calls 7,050 Puts 12,791 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	10,257	669	628½	Allied Zurich	656	-42	W17.7	3.3	-	18.5
*	F.P.	0.36	12½	8	Chaucer A Wrts	12½		-	-	-	-
100	F.P.	1,787	192½	145	Coca-Cola Bev	167½	-1	-	-	-	-
-	F.P.	-	88	85½	Enterprise Cap B Pf	85½		-	-	-	-
-	F.P.	-	149½	80	GEC Pd Wrts	140½	-40	-	-	-	-
§130	F.P.	119.8	129½	120½	Kiln	122½		W-	-	-	14.5
-	F.P.	373.7	90	89	MEPC Non Cum Pf B	89		-	-	-	-
-	F.P.	14.3	114½	109½	†Metnor	112½		L3.6	-	4.0	-
§	F.P.	4.71	18	11	Murray Extra Rtn Cap	13½	-½	-	-	-	-
§100	F.P.	28.1	108	99	Do Inc	108½		L7.95	-	9.3	-
§	F.P.	23.7	100½	98½	Do Zero Div Prf	98½		-	-	-	-
§32	F.P.	4.02	32½	28½	†Parallel Pictures	28½		-	-	-	-
§65	F.P.	4.05	66½	62½	†Private & Comm Fin	65		R0.6	-	1.2	15.8
*	F.P.	16.0	65½	37½	†Sodra Petroleum	39½	-3	-	-	-	-
*	F.P.	4.96	103½	90½	†SupaRoll	90½		-	-	-	-
-	F.P.	-	34	20½	Syndicate Cap Wts 98/02	21½		-	-	-	-
§	F.P.	146.1	520½	501	Tribune IT Index	502	-6	-	-	-	-
-	F.P.	-	34	32½	Walker Greenbank B	34	+1	-	-	-	-
§2	F.P.	2.46	3½	2½	†Wilmslow	2½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1998 High	1998 Low	Stock	Closing price p	+or-
580	Nil	28/9	3½pm	3½pm	Cammell Laird	3½pm	
10.25	Nil	5/10	3½pm	1pm	Tadpole Tech	1pm	-½

pm premium.

FTSE GOLD MINES INDEX

	Sep 16	% chg on day	Sep 15	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (27)	940.89	−1.9	[illegible]	1313.00	2.11	–	1535.45	701.58
Regional Indices								
Africa (9)	1062.29	−2.2	1085.88	1315.41	4.81	41.87	1535.29	765.83
Australasia (7)	1033.34	−0.8	1041.72	1417.80	3.08	7.13	1609.85	815.93
Americas (11)	886.64	−2.0	905.02	1312.05	0.77	51.51	1574.16	647.69

Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 17	Day's chge%	Sep 16	Sep 15	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5132.9	−3.0	5291.7	5281.7	5046.2	3.22	2.73	1.98	19.67	114.89	2260.74
FTSE 250	4687.2	−1.5	4758.5	4723.3	4701.5	3.47	2.94	2.04	17.63	101.35	2022.10
FTSE 250 ex Inv Tr	4743.7	−1.4	4811.6	4779.3	4714.2	3.56	3.08	2.11	16.62	104.70	2054.53
FTSE 350	2460.1	−2.7	2529.2	2522.0	2426.6	3.26	2.77	1.99	19.27	54.70	2213.50
FTSE 350 ex Inv Tr	2465.8	[illegible]	2536.4	2529.7	2429.3	3.28	2.79	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	2369.0	−3.2	2446.7	2444.5	2349.4	4.41	3.76	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2386.94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE Actuaries Industry Sectors

	Sep 17	Day's chge%	Sep 16	Sep 15	Year ago	Gross yld%	Net yld%	Net cover	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5291.7	5189.3	5155.9	5145.1	5139.4	5117.3	5116.8	5126.7	5273.9	5101.5
FTSE 250	4748.8	4725.1	4718.2	4711.3	4711.6	4704.9	4690.1	4689.9	4748.3	4685.5
FTSE 350	2528.3	2485.8	2471.7	2467.2	2464.9	2455.9	2454.0	2457.6	2521.3	2448.7
FTSE SmallCap	2087.83	2086.00	2084.82	2081.89	2080.22	2078.16	2075.95	2073.13	2088.50	2072.22
FTSE All-Share	2450.54	2411.42	2399.35	2394.04	2391.90	2383.44	2381.62	2384.95	2444.09	2376.76

Time of FTSE 100 Day's High: [illegible] Day's low: [illegible]. FTSE 100 1998 High: [illegible] Low: [illegible]
Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	625	491	-3
AMVESCAP	1,000	402	-19
ASDA Group	6,400	174¼	-6¼
Abbey National	2,800	1144	-44
Alliance & Leicester	776	880	-19
Allied Domecq	1,200	452	-32
Allied Zurich	5,400	656	-42
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates a FTSE 100 index constituent. Source: Bolt, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 17 / Sch)

BELGIUM/LUXEMBOURG (Sep 17 / Frs.)

CZECH REP (Sep 17 / Korun)

DENMARK (Sep 17 / Kr)

FINLAND (Sep 17 / Mka)

FRANCE (Sep 17 / Frs.)

GERMANY (Sep 17 / Dm.)

GREECE (Sep 17 / Drachma)

ITALY (Sep 17 / Lire)

NETHERLANDS (Sep 17 / Fl.)

NORWAY (Sep 17 / Kroner)

POLAND (Sep 17 / Zloty)

PORTUGAL (Sep 17 / Escudo)

SPAIN (Sep 17 / Pta.)

SWEDEN (Sep 17 / Kronor)

SWITZERLAND (Sep 17 / Frs.)

TURKEY (Sep 17 / Tk. Lira)

PACIFIC

JAPAN (Sep 17 / Yen)

HONG KONG (Sep 17 / H.K.$)

INDONESIA (Sep 17 / Rupiah)

MALAYSIA (Sep 17 / MYR)

NEW ZEALAND (Sep 17 / NZ $)

SINGAPORE (Sep 17 / S$)

SOUTH KOREA (Sep 17 / Won)

TAIWAN (Sep 17 / TW $)

THAILAND (Sep 17 / Baht)

AUSTRALIA (Sep 17 / Aust$)

AMERICAS

CANADA

TORONTO (Sep 17 / Can $)
4 pm close

MONTREAL (Sep 17 / Can $)
4 pm close

MEXICO (Sep 17 / Peso)
12:30pm

AFRICA

SOUTH AFRICA (Sep 17 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY SEPTEMBER 16 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY SEPTEMBER 15 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	175.43	-0.5	155.19	149.59	154.30	196.78	-0.1	3.81	176.37	156.23	148.00	154.66	196.96	238.24	183.86	223.46
Austria (22)	188.16	0.9	168.46	160.45	165.49	165.40	1.2	2.05	186.40	165.12	156.42	163.48	163.39	253.73	181.60	196.98
Belgium (22)	369.50	-0.3	326.88	315.08	324.99	318.04	-0.1	2.15	370.76	328.44	311.13	325.17	318.20	398.52	234.33	244.28
Brazil (26)	139.97	-2.7	123.83	119.36	123.11	303.93	-2.6	3.67	143.89	127.46	120.75	126.20	312.21	306.59	102.66	265.20
Canada (119)	185.32	1.0	163.95	158.03	163.00	201.55	1.0	1.99	183.50	162.55	153.98	160.94	199.87	248.78	167.18	219.28
Denmark (34)	474.10	-0.3	419.41	404.27	416.99	415.93	0.0	1.55	475.46	421.18	398.99	417.00	416.09	537.33	384.81	384.81
Finland (28)	424.42	-1.4	375.47	361.91	373.30	459.87	-1.1	2.00	430.54	381.39	361.29	377.80	464.06	506.48	267.59	298.84
France (78)	302.40	0.4	267.52	257.87	265.98	269.23	0.8	2.39	301.07	266.70	252.64	264.05	267.13	345.18	217.58	233.42
Germany (55)	267.90	0.1	237.00	228.45	235.63	235.63	0.4	1.35	267.64	237.08	224.59	234.73	234.73	325.61	204.69	218.28
Greece (37)	268.63	1.0	237.64	229.06	236.27	558.43	1.1	1.69	265.99	235.62	223.21	233.28	552.47	333.20	243.18	-
Hong Kong, China (86)	236.21	2.0	208.96	201.42	207.75	234.93	2.0	6.43	231.53	205.10	194.29	203.06	230.29	518.79	198.64	509.06
Indonesia (26)	22.77	-1.9	20.14	19.42	20.03	156.45	-1.0	4.18	23.21	20.56	19.48	20.36	158.07	156.30	22.77	151.81
Ireland (16)	428.25	1.0	378.86	365.18	376.67	408.10	1.4	2.33	423.93	375.53	355.74	371.81	402.60	580.44	359.50	385.69
Italy (54)	150.59	1.5	133.22	128.41	132.45	187.96	1.8	1.56	148.33	131.40	124.47	130.09	184.59	184.49	103.30	106.30
Japan (480)	83.45	-1.3	73.82	71.16	73.39	71.16	0.3	1.11	84.58	74.92	70.97	74.18	70.97	123.57	78.40	119.61
Malaysia (106)	112.56	1.8	99.58	95.98	99.00	164.74	1.8	3.77	110.55	97.94	92.78	96.97	161.81	332.47	73.52	332.47
Mexico (25)	979.47	1.4	866.50	835.21	861.49	10770.66	-0.0	2.53	965.56	855.34	810.26	848.84	10778.66	1801.98	787.15	1707.01
Netherlands (27)	464.57	1.0	410.98	396.14	408.61	404.58	1.3	2.30	460.09	407.56	386.09	403.52	399.50	562.38	380.20	404.44
New Zealand (14)	49.05	-3.0	43.39	41.82	43.14	51.31	-1.6	5.99	50.57	44.80	42.44	44.36	52.16	85.87	48.94	90.06
Norway (37)	226.41	0.1	200.30	193.07	199.14	231.06	0.0	2.73	226.18	200.36	189.80	198.37	230.99	374.64	208.82	335.43
Philippines (22)	46.92	3.9	41.51	40.01	41.27	102.42	3.9	1.59	45.15	40.00	37.89	39.60	98.61	106.98	42.48	105.23
Portugal (18)	251.97	1.3	222.91	214.88	221.62	299.04	1.6	1.08	248.73	220.33	208.72	218.14	294.33	299.39	235.61	-
Singapore (41)	123.81	6.0	109.61	105.66	108.98	98.52	6.0	3.06	116.92	103.57	98.11	102.54	92.91	311.60	102.45	311.60
South Africa (39)	174.31	3.6	154.20	148.64	153.31	232.97	3.0	3.88	168.25	149.04	141.19	147.58	226.16	346.20	151.55	328.51
Spain (31)	320.21	2.4	283.27	273.05	281.64	348.50	2.7	2.19	312.68	277.00	262.40	274.25	339.40	417.73	236.28	261.01
Sweden (49)	468.89	-1.9	414.89	399.91	412.49	542.34	-1.0	2.16	477.87	423.32	401.01	418.11	547.87	628.18	439.98	504.83
Switzerland (28)	383.68	1.9	339.42	327.17	337.46	331.55	2.0	1.25	376.54	333.55	315.98	330.24	325.16	439.48	301.11	302.80
Thailand (36)	9.61	9.4	8.51	8.20	8.46	13.22	9.3	6.20	8.79	7.79	7.38	7.71	13.92	45.52	8.15	39.37
United Kingdom (210)	344.86	0.4	305.09	294.07	303.32	305.09	0.3	3.21	343.50	304.28	288.25	301.26	304.28	401.84	311.26	311.26
USA (622)	428.28	0.8	377.11	363.50	374.93	426.28	0.8	1.54	422.70	374.45	354.71	370.73	422.70	465.66	358.31	384.62
Americas (796)	380.21	0.8	336.35	324.21	334.41	322.20	0.8	1.57	377.07	334.02	318.42	330.71	319.59	437.03	328.79	350.89
Europe (746)	326.26	0.6	288.63	278.21	286.96	286.26	0.7	2.28	324.38	287.35	272.21	284.50	284.10	386.24	267.44	274.57
Eurobloc (351)	94.61	0.7	83.70	80.66	83.22	90.05	0.9	1.91	94.00	83.27	78.88	82.44	89.19	113.28	90.92	-
Nordic (148)	435.67	-1.4	385.42	371.51	383.19	493.22	-0.8	2.06	441.66	391.26	370.64	387.38	496.71	555.87	388.51	426.97
Pacific Basin (883)	88.93	-0.9	78.67	75.83	78.22	75.86	0.4	1.87	89.72	79.48	75.29	78.69	76.32	138.87	83.29	135.72
Euro-Pacific (1609)	187.81	0.2	166.14	160.15	165.18	159.46	0.7	2.17	187.47	166.06	157.31	164.42	158.42	220.19	172.03	193.67
North America (741)	410.20	0.8	362.88	349.78	360.79	410.92	0.8	1.55	406.73	360.30	341.31	356.72	407.43	469.20	349.06	374.32
Europe Ex. UK (536)	305.79	0.7	270.52	260.75	268.95	262.93	1.0	1.82	303.78	269.08	254.90	266.41	260.23	366.32	236.88	248.53
Europe Ex. Eurobloc (395)	88.86	0.5	78.61	75.77	78.15	87.28	0.5	2.86	88.41	78.31	74.19	77.54	86.84	103.93	86.54	-
Europe Ex. UK Ex. Eurobloc (185)	90.96	0.7	80.47	77.56	80.00	87.23	1.0	1.55	90.30	79.99	75.78	79.20	86.37	109.21	87.93	-
Pacific Ex. Japan (393)	144.44	0.9	127.78	123.17	127.04	152.95	1.2	4.82	143.12	126.78	120.10	125.52	151.18	277.07	128.28	275.05
World Ex. Eurobloc (2093)	89.58	0.5	79.25	76.39	78.79	89.66	0.7	1.84	89.11	78.93	74.77	78.15	89.22	103.16	83.83	-
World Ex. US (1822)	187.58	0.2	165.95	159.96	165.00	163.79	0.7	2.19	187.16	165.80	157.06	164.15	162.71	221.91	175.30	197.94
World Ex. UK (2234)	256.84	0.6	227.31	219.10	225.99	233.18	0.8	1.88	255.49	226.32	214.40	224.08	231.29	298.02	234.24	252.65
World Ex. Japan (1964)	354.31	0.8	313.44	302.13	311.63	344.80	0.8	1.93	351.65	311.51	295.09	308.42	341.83	411.23	309.83	327.68
The World Index (2444)	264.44	0.6	233.94	225.49	232.58	239.76	0.8	1.85	262.99	232.97	220.69	230.66	237.96	306.56	241.30	257.70

Emerging markets: IFC Investable Indices

Dollar terms

4 pm close September 17

NEW YORK STOCK EXCHANGE PRICES

advertisement

EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 17-09-1998	Close 17-09-1998	Previous 16-09-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	1756.74	1737.40	1820.64	-83.24	-4.57	2457.58	1364.48
IN-FIN	DEM	2054.37	2036.32	2155.80	-119.48	-5.53	3060.15	1641.19
Non-durable goods	USD	1644.97	1641.75	1682.21	-40.46	-2.40	1780.72	1163.48
IN-GOODS	DEM	1930.25	1927.05	1994.85	-67.80	-3.39	2195.63	1389.43
Oils	USD	1278.45	1275.24	1300.27	-25.03	-1.92	1633.96	1132.90
IN-OIL	DEM	1500.16	1496.64	1541.77	-44.93	-2.91	2027.16	1298.72
Pharma-chemicals	USD	1409.86	1412.18	1428.83	-16.65	-1.16	1598.68	1227.09
IN-PHARMA	DEM	1654.38	1657.58	1694.21	-36.63	-2.16	2119.51	1475.94
Telecoms	USD	1967.30	1974.58	2133.76	-159.18	-7.46	2437.22	2046.51
IN-TELCO	DEM	2331.85	2317.72	2530.07	-212.35	-8.39	3072.26	2431.05

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7069) or Brussels (+32 2 509 94 60).

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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صحکذا من الاهل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8089.78	8024.39	7945.35	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	105.71	105.58	105.63	105.85 (11/9)	104.42 (11/5)	105.85 (11/9/98)	54.99 (1/10/81)
Transport	2884.13	2863.70	2805.14	3686.02 (16/4)	2616.75 (4/9)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	293.66	290.96	287.04	295.40 (6/7)	262.66 (9/1)	295.40 (6/7/98)	16.53 (8/7/32)

DJ Ind. Day's high 8159.30 (8087.21) Low 7923.46 (7840.30) (Theoretical) Day's high 8102.92 (8035.72) Low 7962.85 (7881.50) (Actual)

Standard and Poors	Sep 16	Sep 15	Sep 14	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1045.48	1037.68	1029.72	1186.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1239.44	1234.18†	1228.88	1380.48 (17/7)	1077.49 (9/1)	1380.48 (17/7/98)	3.52 (30/6/32)
Financial♥	115.72	113.12	110.74	147.89 (14/7)	102.26 (10/9)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	518.05	513.92	510.21	600.75 (17/7)	480.60 (31/8)	600.75 (17/7/98)	4.54 (25/4/42)
Amex Comp	629.13	624.28	619.30	763.67 (22/4)	565.07 (31/8)	763.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	1689.91	1678.11	1665.69	2014.25 (20/7)	1499.22 (31/8)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	359.85	357.73	357.72	491.41 (21/4)	337.95 (31/8)	491.41 (21/4/98)	123.38 (7/12/83)

RATIOS

	Sep 11	Sep 4	Aug 28	Year ago
Dow Jones Ind. Div. Yield	1.91	1.95	1.84	1.69
	Sep 16	Sep 9	Sep 2	Year ago
S & P Ind. Div. yield	1.40	1.43	1.47	1.50
S & P Ind. P/E ratio	30.41	29.54	28.84	25.37

US DATA

MARKET ACTIVITY

[illegible]

NYSE TRADING ACTIVITY

[illegible]

NASDAQ TRADING ACTIVITY

Wednesday	Stocks traded	Close price	Day's change
WorldCm	21,048,600	47⅛	+1⅛
DellComp	19,643,400	60¼	+⅛
CiscoSys	14,849,200	64⅜	+⅜
Ciena Cp	14,831,800	12⅜	−⅜
Tellabs	14,132,700	43⅝	+2⅝
Yahoo	12,198,800	93⅝	+8
Intel	11,279,200	85⅛	−⅝
Micsft	10,698,400	108⅛	−½
EricsnB	8,757,800	19⅞	−1⅛
Oracle	9,382,400	27¼	+¼

Wednesday (Biggest movers)	Close price	Day's change	Day's chge %
Ups			
Rainbvia	24⅝	+4⅝	+24.8
AgriBiotec	12⅛	+2⅝	+23.9
CMG Info	48	+8	+20.0
Sunrise	30	+4⅝	+18.8
Downs			
GdyFmCm	13⅝	−1⅝	−10.5
SenHlt	13⅝	−1⅛	−10.5
MMC Networ	11⅝	−1⅛	−9.9
LndstarSys	28⅛	−3⅛	−9.7

Dow Jones

FTSE Eurotop 300

JAPAN

	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	13658.14	14197.70	closed	17264.34	13658.14	38915.9	85.25

Day's high: 14279.77 Day's low: 13784.07

TOKYO TRADING ACTIVITY — Volume : 285,740,810

Thursday (Active stocks)	Stocks traded	Close price	Day's change
LgTmCr	50,194,000	22	−3
NpStl	14,702,000	198	−7
TokDpt	8,363,000	105	−34
FujiBk	7,656,000	352	−12
Toshiba	6,294,000	470	−6
Hitachi	5,998,000	570	−19
Sakura	5,423,000	247	−4
SumBnk	4,850,000	1107	−13
BTokM	4,598,000	1054	−11

Thursday (Biggest movers)	Close price	Day's change	Day's chge %
Ups			
Daiwa	142	+7	+5.2
NsinEl	233	+10	+4.5
Downs			
TokDpt	105	−34	−24.5
DtTmC	872	−158	−15.4
LgTmCr	22	−3	−12
SumiKg	77	−10	−11.5
MeFud	772	−88	−10.2
Nihonwa	119	−13	−9.8

FRANCE

	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3525.29	3729.32	3698.0	4388.48	2962.54	4388.48	984.61

Day's high: 3683.63 Day's low: 3497.70

PARIS TRADING ACTIVITY — Volume : 824,368,420

Thursday (Active stocks)	Stocks traded	Close price	Day's change
Alctel	8,689,059	571	−356
FrTele	2,424,144	425	−34.8
RhonPA	1,483,354	235.1	−11.8
Alstom	1,365,236	110	−15.1
Usinor	1,360,554	58.25	−2.4
Schndr	1,080,515	298	−39.9
Axa	971,323	585	−33
MichlnB	894,929	244.9	−5.4
RnaultR	816,485	245.2	−22.8

Thursday (Biggest movers)	Close price	Day's change	Day's chge %
Ups			
Infosall	145.7	+3.7	+2.6
Sodis	314	+7	+2.3
Isomboq	668	+13	+2.0
Promd	3600	+61	+1.7
Downs			
Alctel	571	−256	−32.4
GrdVsn	112	−17	−13.2
Equant	270	−33	−12.3
Schndr	298	−39.9	−12.2

GERMANY

[illegible]

Thursday (Active stocks)	Stocks traded	Close price	Day's change
Dt Bk	2,342,963	99.7	−2.75
Siemns	885,586	102.7	−8.8
Daimlr	857,673	147	−7.5
Lufthn	819,591	35.1	−1.85
Cmrzbk	731,799	49.4	−2.6
Bayer	539,355	65.12	−0.38
Dt Tel	507,210	51.6	−1.2
VW	442,750	118	−6.2
DrsdBk	420,554	71.2	−2.4
SGLCar	372,153	117	−31

Thursday (Biggest movers)	Close price	Day's change	Day's chge %
Ups			
GEA	62	+6	+10.7
MchRkD	460	+21	+4.8
GrohPf	478	+15	+3.2
Rwand	46	+1	+2.2
Downs			
SGLCar	117	−31	−20.9
SAP Pf	855	−105	−10.9
SAP	784	−96	−10.9
Holtz	70	−8	−10.3

UK

Thursday (Active stocks)	Stocks traded	Close price	Day's change
Emerald Engy	32,213,220	8	−¼
Lloyds TSB	18,533,760	703½	−13½
Shell T&T	18,513,600	354½	−9¼
Tesco	15,719,090	163	−8
GEC	15,504,030	424	−39
Rolls Royce	13,649,500	197½	−2¼
BT	12,463,210	815	−29
Telewest Cms	11,931,010	160½	+15½
Lucas Vrty	11,680,350	186	−8½
Br. Aerospace	11,671,990	326	−36

Thursday (Biggest movers)	Close price	Day's change	Day's chge %
Ups			
NMS Petrol	[illegible]	[illegible]	[illegible]
Celtec Res	[illegible]	[illegible]	[illegible]
Meristem	[illegible]	[illegible]	[illegible]
Gardiner Grp	[illegible]	+3	[illegible]
Downs			
Ayrshire Mt	[illegible]	[illegible]	[illegible]
Tadpole Tch	[illegible]	[illegible]	[illegible]
Business Pst	310	−55	[illegible]
Scoba Hldgs	[illegible]	[illegible]	−15

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	1058.00	1034.00	−13.70	1059.00	1031.20	45,975	109,637
Dec	–	1068.10	+9.90	1060.00	–	165,157	356,913

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	14130.0	13800.0	−270.0	14220.0	13690.0	29,558	165,461
Mar	14150.0	13690.0	−410.0	14150.0	13690.0	48	6,193

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	3725.0	3537.0	−200.0	3740.0	3508.0	100,005	204,453
Dec	3694.5	3565.5	−201.0	3695.0	3541.5	8,671	28,456

DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	4826.0	4627.0	−253.0	4837.0	4616.5	44,667	61,062
Dec	4840.0	4645.0	−252.5	4853.0	4631.0	32,504	34,659

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	604.00	584.50	−33.00	605.00	582.75	35,210	143,777
Oct	602.00	586.00	−32.75	604.90	585.75	6,379	14,146

SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	6654.0	6401.0	−319.0	6667.0	6430.0	14,138	22,662
Dec	6701.0	6435.0	−285.4	6701.0	6420.0	7,290	12,063

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Yield	P/E
Hungary	Bux	4224.67	4501.64	4395.40	8816.38 23/4	4224.67 17/9	na	na

Drugs group Humana was suspended due to daily limit decline of 20 per cent.

Country	Index	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Yield	P/E
India	BSE Sens.	3121.39	3139.66	3162.18	4280.96 21/4	2892.55 1/9		
	Crisil 500	616.06	617.39†	618.88	815.62 21/4	573.02 18/8	na	na

Position unwinding prompted by Asian weakness depressed shares.

Country	Index	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Yield	P/E
Indonesia	Jakarta Comp.	285.47	290.92	292.15	554.16 2/2	285.47 17/9	3.04	12.4
Portugal	BVL 30	4649.14	4748.78	4658.65	8178.88 22/4	3979.27 21/1		
	PSI 20	10504.80	10604.82	10616.56	14292.99 22/4	9931.84 21/1		

Portugal Telecom down 5.5 per cent on first-half results and Alcatel plunge.

Country	Index	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Yield	P/E
Russia	RTS	51.70	58.86	62.03	411.81 5/1	51.70 17/9	na	na

Crashed more than 12 per cent although volume was virtually non-existent.

Country	Index	Sep 17	Sep 16	Sep 15	1998 High	1998 Low	Yield	P/E
Singapore	SES All-S'pore	250.05	293.69	270.37	437.86 19/3	253.20 4/9		

[illegible]

THE NASDAQ STOCK MARKET

4 pm close September 17

[illegible]

AMEX PRICES

4 pm close September 17

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Fading rate hopes trigger global sell-off

WORLD OVERVIEW

Global equity markets turned tail yesterday, knee-jerked into a widespread selling binge by the collapse of hopes for declining world interest rates, *writes Jeffrey Brown*.

Alan Greenspan, chairman of the US Federal Reserve, said on Wednesday: "At the moment there is no endeavour to co-ordinate interest rate cuts." It was precisely what equity markets had not wanted to hear. Asia set the bears running with Toyko sliding 2.4 per cent and Hong Kong off 3.6 per cent.

By the time European markets got underway the evil eye was firmly in place and investors were switching heavily into debt markets.

The trend was given added rapid momentum by a profits warning from Alcatel, the French telecoms equipment leader, which announced at the opening that its core markets were under pressure. In Paris from then on it was every man for himself, with shares sliding precipitously, setting alarm bells ringing across Europe.

With their respective bond markets pushing determinedly higher and Wall Street opening with heavy declines, Paris ended 5.5 per cent lower and Frankfurt 5 per cent off.

The shakeout at Alcatel spilled over across the global telecommunications sector with even more dramatic effect.

Telecoms shares, both operators and equipment makers, have been strong relative performers this year, buoyed by the conviction that earnings were supported by the growth of data communications and mobile telephone demand.

Although the telecoms utilities were inevitably caught up in yesterday's downturn, it was the equipment makers, like Ericsson and Nokia, that took the heaviest knocks.

Moreover, one of the more obvious trends within the wave of selling of equities generally was that investors were heavily targeting manufacturing industry. The main worry appeared to be that demand was drying up and money costs – to judge by Mr Greenspan – were not coming down quickly enough.

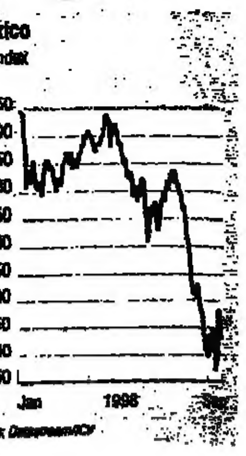
Against this background, most equity strategists were waiting for the dust to settle, but yesterday some were pushing home recent points. J.P. Morgan, for example, has for some time seen shares as attractive relative to bonds, a theory that the latest equity fallout will have sharpened.

Although some allowance should be made for easing profits and over-bought positions in bonds, the broker suggests that equities are 30 per cent cheaper relative to bonds.

EMERGING MARKET FOCUS

Mexico holiday ends in hangover

Mexicans returned from Independence Day celebrations yesterday to find a new thundercloud hanging over their financial markets.



Shockwaves again rippled up from the battered Brazilian stock market following Wednesday's comments from US policymakers suggesting there was no co-ordinated effort to cut global interest rates, nor the likelihood of any immediate bail-out of Brazil by the International Monetary Fund.

That put an immediate halt to the stunning three-day rebound Mexico enjoyed before its markets closed for the September 16 holiday.

"The rally was purely based on the potential IMF package for Brazil, which proved to be unfounded in the sense that there's nothing concrete," said Paul Daniel, an equity salesman at BBV Securities in London.

Yesterday, Mexico's IPC index fell sharply, losing some of the 13 per cent gains it notched up on Tuesday. The peso slipped and rates on short-term Treasury bills – which on Tuesday reached their highest level since December 1995 – rose again.

In dollar terms, the stock market was 50 per cent off its level at the start of the year, and the peso was down 13.5 per cent against the US currency since mid-August.

The main factor was Brazil, caught by the same stampede of foreign investors out of large emerging markets that caused devaluations in Russia and south-east Asia. In times of trouble, investors in Latin America tend to lump all the region's markets together and sell.

Some economists believed Mexico should remain above the fray because of its proximity to the US and structural reforms after its own 1994 devaluation. In a sign of austerity, it had a fiscal surplus in the first six months of the year, despite oil revenues down at 10-year lows.

"Mexico is being extremely proactive. It's being hit unduly hard," said John Welch, Latin American economist at Paribas in New York.

On the other hand, Mexico has a widening current account deficit, inflation running above the central bank target at about 1 per cent a month, a dependence on oil exports, and a tottering banking system.

To get it out of trouble, the government is no longer able to rely on the grip the ruling Institutional Revolutionary party has had for almost seven decades on Congress.

Opposition parties, who hold their first-ever majority in the lower house, have blocked many government efforts at financial reform and analysts said they could oppose potential emergency measures such as tax rises or additional privatisations to shore up public finances.

Investors cheered on Tuesday when the government and opposition parties reached broad agreement on how to deal with the $65bn cost of a three-year bail-out of the banking sector.

But the accord later looked sketchy. "What they agreed was totally non-controversial. Everything was motherhood and apple pie," said Damian Fraser, director of research at Warburg Dillon Read in Mexico City.

Henry Tricks

Selling spree puts cap on Dow rebound

AMERICAS

US shares were hit by a flood of selling from the opening bell, which sent the Dow Jones Industrial Average down more than 200 points in the first 20 minutes of trading, *writes John Labate in New York*.

"I think we're just being bombarded with negative earnings news left and right," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut. "I don't see that ending anytime soon."

Weakness in Latin American markets and Mr Alan Greenspan's recent congressional testimony, in which he did not suggest the Federal Reserve's outlook on interest rates had changed, were seen as major factors contributing to the market's tone.

The sell-off was widespread, reversing four days of solid gains for prices. By early afternoon the Dow Jones Industrial Average was down 192.84 or 2.4 per cent at 7,896.94, while the Standard & Poor's 500 fell 24.98 to 1020.50. Declining issues led advancing ones by a marging of more than 4 to 1 in New York.

Telecoms came under pressure after Alcatel of France issued a profits warning. ADR shares of the company tumbled 38 per cent to $19⁹⁄₁₆. AT&T was off $1¹⁄₁₆ at $57¼.

Gillette, the consumer products company, which recently issued its own warning, plunged $3¼ or more than 7 per cent to $36¹³⁄₁₆ after Goldman Sachs and Merrill Lynch cut their earnings estimates.

Among Dow component shares, Travelers lost 5 per cent to $40⅞ while Procter & Gamble fell $2⅞ at $67⅛.

Technology and small-cap shares gave ground as well, sending the Nasdaq composite tumbling 39.57 or 2.3 per cent at 1,650.34. The Russell 2000 index fell 6.79 at 353.06.

Shares of Rubbermaid plunged more than 6 per cent or $1⅝ to $23⅝ after CIBC Oppenheimer scaled back its earnings view.

Among widely held high-tech shares, Cisco Systems lost $2⁹⁄₁₆ to $62⁹⁄₁₆ and software leader Microsoft lost $2¹³⁄₁₆ at $105⅞.

TORONTO fell 2.2 per cent at midsession as the Canadian dollar continued its fall after prime minister Jean Chretien called for a cut in US and Canadian central bank rates for the sake of the global economy.

By midday, the TSE-300 composite index was 129.15 lower at 5,776.90 in volume of 28.5m shares.

Among individual stocks, Bank of Montreal lost C$2.35 to C$58.40 after announcing C$80m of after-tax losses in junk bond trading since August.

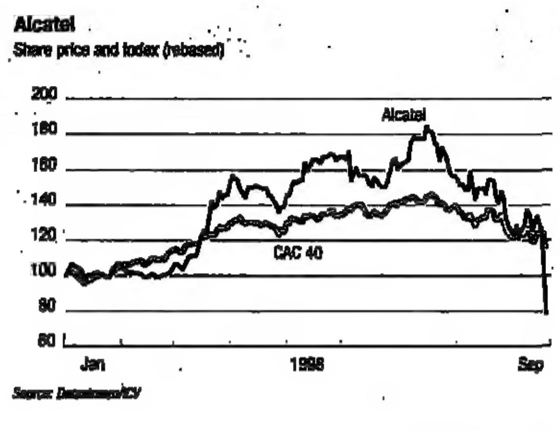
Northern Telecom lost C$4.80 to C$64 on general weakness in telecommunications and high-tech stocks. Analysts said the sectors were hurt by Tuesday's announcement from Nortel that it would cut 4 per cent of its global staff, which suggested the company had overextended itself in recent acquisitions.

Bell tolls for telecom stocks

EUROPE

Telecoms shares fell steeply after a profit warning from French manufacturer Alcatel. The group announced it was facing problems in core markets and ended a dramatic day with a decline of 38.4 per cent or FFr356 at a record low of FFr571.

Frantic selling pushed Alcatel down to FFr523 at one stage, causing trading to be suspended three times. By the close, turnover in the stock was a record FFr5.2bn, more than a quarter of total market turnover.



The reverberations were felt Europe-wide among telecom equipment manufacturers. Germany's Siemens dropped DM10.75 (or 9.6 per cent) to DM101.50, Philips, the Dutch giant, lost Fl9.70 (8.8 per cent) to Fl100.70, Finland's Nokia fell FM34 (7.7 per cent) to FM410, Sweden's Ericsson tumbled SKr14.50 (9.1 per cent) to SKr144 and Spain's Amper lost Pta190 (7.1 per cent) to Pta2,500.

Network operators were also hit. France Telecom fell FFr34.80 to FFr425, Deutsche Telekom lost 75 pfg to DM52, Telefónica of Spain gave up Pta210 to Pta5,170 and Portugal Telecom Es520 to Es7,331.

PARIS ended 204.0 lower at 3,525.26 on the CAC 40 index after reaching a low of 3,497.70 during the day. Despite this bounce off the bottom, the market remained deeply troubled with manufacturing industry taking most of the pain.

Schneider and Lagardère both fell more than 10 per cent, tumbling FFr39.90 to FFr288 and FFr23 to FFr192, while Renault came off FFr22.80 or 8.5 per cent at FFr245.20, Cap Gemini FFr97 to FFr813 and STMicroelectronics FFr27 at FFr313.

The sellers continued to target the hard-pressed banking sector. CCF lost FFr34.9 or 8.5 per cent at FFr374.5 and Société Générale shed FFr34 at FFr772. Oils were a rare defensive play. Total, tracking another gain for oil prices, added FFr6 at FFr686.

FRANKFURT was sharply lower as diminishing hopes for a rate cut left investors disappointed. The Xetra Dax index finished 243.15 lower at 4,629.03.

SAP, down 5 per cent on Wednesday on concerns that a profits warning might be on the way, tumbled another DM139 or 14.3 per cent to DM830 as Bank Julius Baer downgraded the stock on the view that second-half results were likely to be worse than first-half figures. The bank said the shares would have "fair value" around DM550-DM650.

THE DAY'S CHANGES	% Change
Helsinki	-5.5
Paris	-5.5
Milan	-5.2
Oslo	-5.2
Frankfurt	-5.0
Zurich	-4.7
Madrid	-4.2
Stockholm	-3.9
Amsterdam	-3.9

SGL Carbon crashed DM36.20 or 24 per cent to DM114.60 after denying rumours that DM410m of provisions set aside for a US anti-trust investigation were insufficient.

ZURICH featured a 10.8 per cent drop in CS Group amid rumours the bank might have an exposure of several hundred million dollars in the US-based Westbridge Capital, which has filed for Chapter 11. CS, which said later its exposure was less than $20m, fell SFr22.50 to a new low for the year of SFr186.50. The SMI index fell 313.4 to 6,405.2.

AMSTERDAM saw declines of more than 6 per cent at Akzo Nobel and Hoogovens and heavy selling among financials. It closed with the AEX index off 39.79 at 957.55.

Akzo shed Fl 5 at Fl 74.50 and Hoogovens Fl 4.50 at Fl 59.90. Among financials, ABN Amro gave up Fl 2.10 at Fl 36.90 in 12.2m shares traded while ING came off Fl 5.30 at Fl 105.20. KPN, badly battered by warnings of tariff cuts, managed to claw higher for a second day, adding 90 cents at Fl 70.20.

MILAN lost ground as banking shares plunged, and the Mibtel index closed down 1,058 at 19,238.

Banks, which had rallied on privatisation and merger expectations, were hit by heavy profit-taking. BNL lost L302 to L5,320 while Banco di Napoli declined L149 to L2,230.

INA, which bought a stake in the privatisation of BNL, declined L318 to L4,200. Banca di Roma, which had gained ground on speculation of a merger with BCI, retreated L174 to L2,665, while BCI fell L731 to L8,850.

MADRID was hit by worries over Latin America, and the general index closed down 29.99 at 689.73.

A sharp fall in Brazilian shares in early Latin American trading sent stocks with extensive business links with that market tumbling. Santander fell Pta165 or 7 per cent to Pta2,120 while Banco Bilbao Vizcaya fell Pta150 or almost 10 per cent to Pta1,395.

CSFB this week downgraded BBV, while noting Argentaria as the preferred investment choice and Santander the cheapest investment alternative.

HELSINKI's Hex index lost 241.44 at 4,137.96 as stocks with Russian links met selling. Raisio, the foods group, fell FM3.50 to FM66.50 and Hartwall lost FM3 to FM84.

MOSCOW crashed 12.2 per cent to another all-time low, although trade was virtually non-existent at $540,000. The RTS index lost 7.16 to 51.70, extending its fall from the year's high in early January to 88 per cent.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Peter Hall

São Paulo leads fallers

Latin American markets were in full downward flight in early trading, hit by worries about interest rates.

SAO PAULO plunged from the opening bell. With shares down 10 per cent after the first 30 minutes of trading, the authorities halted proceedings.

When trading resumed there were signs of a modest recovery, but at midsession the benchmark Bovespa index was still down 540 or 8 per cent at 6,220.

Telebrás fell 6.3 per cent to R$79.20, while Petrobrás came off 12.5 per cent at R$118. Eletrobrás fell 10.6 per cent to R$23.25.

BUENOS AIRES was off its lows, but still in negative territory at midsession following a sharp morning tumble in tandem with world markets.

The Merval index, which tested a low of 352.06, was 16.26 or 4.4 per cent down at 352.34. Real estate group IRSA led the tumble with a fall of 10 per cent to 1.87 pesos.

SANTIAGO held its fall to 2 per cent in spite of the central bank's move to raise its interbank lending rate after the market closed on Wednesday. The IPSA index was 1.18 lower by midsession at 57.92.

Rally runs out of steam

SOUTH AFRICA

Johannesburg cut short its three-day rally although gold stocks went against the weaker trend, after starting the day lower. The gold index finished 27.7 higher at 1,024.0 as the price of bullion moved up to the phychologically important $290 dollars an ounce level.

Industrials slid 235.8 or 4.1 per cent to 5,460.0 and financials lost 139.4 or 2 per cent to 6,882.1, contributing to a fall in the overall index of 140.5 or 2.8 per cent at 4,869.0

Tokyo hit by reform impasse

ASIA PACIFIC

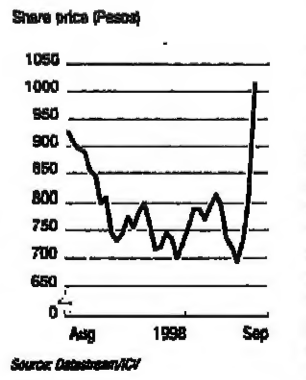
Investor frustration with the political impasse over a financial reform bill pushed **TOKYO** to a 12-year low, sending the Nikkei 225 Average down 2.38 per cent or 338.56 to 13,859.14, *writes Alexandra Harney in Tokyo*.

Bond yields slid to record lows as investors moved from equities into fixed-income assets. The yield on the benchmark 182 contract broke the record set earlier this week to close down 0.085 at 0.68 per cent, after falling as low as 0.67 per cent during the day.

In equities trading, nearly every sector posted losses, with paper and pulp falling 3.5 per cent. Banks fell 1.7 per cent, and securities stocks lost 3.2 per cent amid renewed concern about the financial sector.

The market's momentum was strongly negative, with 912 shares closing down compared with 239 ahead. During the day, the benchmark Nikkei 225 fluctuated between 13,784.07 and 14,279.77.

Politicians appeared closer to compromise on a bill to tackle the banks' huge bad loan problem, but the fate of the troubled Long Term Credit Bank of Japan remained unclear. Shares in LTCB, which is at the centre of the political debate, slid Y3 to close at Y22. Fuji Bank, which is believed to be suffering from heavy losses from derivatives trading, fell Y12 to Y352. Sakura Bank was down Y4 to Y247.



The Topix index of all first-sector stocks fell 1.7 per cent or 18.44 to 1,069.06. Turnover remained weak at 410m shares. In Osaka, the OSE lost 194 at 14,714.

MANILA shot higher after a planned rights issue by market heavyweight PLDT was put on ice. PLDT soared 205 pesos or 25 per cent to 1,015 pesos on the news and by the close of trading the composite index was up 92.70 or 7.9 per cent at 1,269.24, a seven-month peak.

PLDT's rights plans – effectively a poison pill to block any takeover – were announced last month when rumours of a foreign bid were rife. Traders yesterday saw the shares as back in play. The hot tip in Manila was that Spanish telecoms giant Telefónica was attempting to buy a stake in PLDT, which has now risen 65 per cent in five sessions.

HONG KONG took its lead from HSBC as the banking giant fell to its lowest level for nearly two years. The Hang Seng index fell 264.11 or 3.61 per cent to finish at 7,576.57 in turnover that slipped to HK$4.9bn.

A HK$6.50 tumble in HSBC Holdings to HK$141.50 was attributed to continued selling pressure on worries about rising bad debts in south-east Asia and concerns about a slowdown in the global economy.

One analyst noted that in the past three years, HSBC had traded at an average discount of 14 per cent to its fair value. If HSBC was going to trade at its old valuation, it could fall to HK$118.

China plays lost steam on profit-taking after their powerful rally in recent sessions. The China-Affiliated Corporations index slumped 5.7 per cent and H shares sank 6.6 per cent.

KUALA LUMPUR was lower on profit-taking and concerns that the holders of Malaysian shares traded on Singapore's over-the-counter market would dump their holdings.

The composite index finished 7.49 or 1.9 per cent lower at 366.55.

BANGKOK edged ahead after an active day for selected bank shares amid talk of foreign alliances.

Bank of Asia rose Bt2.10 to Bt12, Thai Danu Bank Bt1 to Bt7.50 and Nakornthon Bank Bt0.90 or 25.7 per cent to Bt4.40. The SET index ended 1.35 higher at 220.05.

JAKARTA was hit by worries of deepening social unrest and possible currency controls. The composite index fell 5.44 or 1.9 per cent to 285.48.

Heightened speculation that the Indonesian government could tighten the rupiah regime prompted sell orders by overseas investors.